DOCUMENT RESUME

ED 105 571 EA 006 988

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|---|---|
| AUTHOR | Pierce, Lawrence C.; And Others |
| TITLE | State School Finance Alternatives: Strategies for Reform. |
| INSTITUTION | Oregon Univ., Eugene. Center for Educational Policy and Management. |
| SPONS AGENCY | National Inst. of Education (DHEW), Washington, D.C. |
| PUB DATE | May 75 |
| NOTE | 182p. |
| AVAILABLE FROM | Center for Educational Policy and Management, 1472 Kincaid Street, University of Oregon, Eugene, Oregon 97403 ($6.95) |
| EDRS PRICE | MF-$0.76 HC-$9.51 PLUS POSTAGE |
| DESCRIPTORS | Compensatory Education; Computer Programs; Data Analysis; *Educational Finance; Elementary Secondary Education; *Equalization Aid; *Finance Reform; Glossaries; Productivity; School Support; *Simulation; Special Education; *State Aid; State Programs; State School District Relationship; Tables (Data); Tax Allocation; Tax Effort; Vocational Education |
| IDENTIFIERS | Committee on Equal Educational Opportunity; *Oregon; Oregon School Finance Project |

ABSTRACT

This book was prepared by the research staff of the special Committee on Equal Educational Opportunity of the Oregon legislature to examine alternative patterns of school finance reform that have been considered for adoption in Oregon. It presents analyses of a variety of school finance formulas, discusses possibilities for increasing school productivity, and offers suggestions for funding programs in special education, compensatory education, and occupational education. In addition, a separate chapter contains a detailed description and flow chart of a computer simulation model for analyzing the future impact of various school finance reform proposals. The appendix includes the actual legislative report of the Committee on Equal Educational Opportunity, as well as a glossary of specialized terms used throughout the book. (Author/JG)

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**Lawrence C. Pierce**
**University of Oregon**
**Walter I. Garms**
**University of Rochester**
**James W. Guthrie**
**University of California, Berkeley**
**Michael W. Kirst**
**Stanford University**

EA 006 988

# STATE SCHOOL FINANCE ALTERNATIVES:

## Strategies For Reform

**Published by:** Center for Educational Policy and Management, University of Oregon, Eugene May, 1975

1472 Kincaid

$6.95

**Library of Congress No. 75-7970**

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Book & cover design by Shonna Husbands.

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# 1. INTRODUCTION

# SCHOOL FINANCE REFORM

The 1970s will be remembered in many states as a decade of major school finance reform. The perennial problems of school boards and superintendents suddenly became the concerns of citizens and legislators alike. The immediate cause of this new interest in the financing of schools was a taxpayers' revolt against local property taxes and the fiscal crisis it created for local schools. Also important were court decisions which ruled that the quality of a child's education should not be determined by the wealth of the school district in which the child lives, but only by the wealth of the state as a whole.

As in many states, policy makers in Oregon were faced with demands for changes in the way the state finances public schools. The first response to these demands was a bold attempt to shift the entire burden of school support to the state. When this proposal was defeated by the voters of Oregon, the legislature sought expert assistance to review alternatives for funding public schools which would provide greater equity without major changes in the patterns of school governance or taxation.

This book is a review of the alternative patterns of school finance reform that have been considered in Oregon. It has been prepared by the staff of the special legislative Committee on Equal Educational Opportunity in Oregon. It contains analyses of a variety of state school formulas, as well as suggestions for funding programs in special education, compensatory education, and occupational education. Separate chapters deal with the problems and possibilities of increasing productivity in schools and of developing the technical capabilities to analyze the impact of school finance reform proposals.

The book has two purposes. First, it provides technical information for the citizens and policy makers of Oregon on ways to reform the state's school finance system. An equally important purpose is to share what has been learned in Oregon with those interested in school finance reform in other states. Oregon's current system of school finance is similar in many ways to school finance systems elsewhere. The suggestions for reforming Oregon's school finance system contained in this book should be useful to policy makers in other states as well.

On May 1, 1973 the voters of Oregon decisively rejected a massive property tax relief and school finance reform program recommended by Governor McCall. If approved, the program would have eliminated the use of local property taxes for support of public primary and secondary schools and increased the level of state support from 21 percent to 95 percent. The additional state funds would have been raised from increased income taxes and a statewide property tax on nonresidential property. Even with these increases, it was estimated that 75 percent of the voters would have enjoyed net tax reductions. Despite this substantial tax relief, voters rejected the referendum by a 3 to 2 margin.[1]

Pressures for reform of the school finance system were growing in the late 1960s and early 1970s in Oregon, as in other states. An increasing number of school operating budgets and bond levies were being defeated at the polls. During the same period, public dissatisfaction with property taxes produced two initiative ballot measures and one legislative referendum. The initiatives sought to limit the use of property taxes for school support while the referendum sought to add a sales tax in return for property tax relief. All three proposals were defeated, in large part, because voters did not want new taxes and feared limitations that would cripple public education.[2] The defeat of these three proposals did not eliminate public demands for change, however. Governor McCall's program was designed to respond to these demands by providing property tax relief and more equal educational opportunity through state financing of public schools.

Defeat of the McCall plan left state policy makers in a quandry. Without additional state revenues, the state's reliance on local property taxes for school support would have to continue. And with rising school costs, there would be more budget elections and more defeats. Also on the horizon was the threat of a court ruling that the Oregon school finance system discriminated against students in property-poor school districts.[3] The need for reform was still present.

To resolve this dilemma, the leadership of the 1973 Oregon legislature initiated a study of Oregon's school finance system and alternatives to it. A special legislative Committee on Equal Educational Opportunity, consisting of legislators and public members, was appointed to direct the study and make recommendations to the 1975 legislature for improving the state's school finance laws.[4]

# THE COMMITTEE ON EQUAL EDUCATIONAL OPPORTUNITY

The Committee on Equal Educational Opportunity first met in December 1973. Consisting of 13 legislators and 10 public members, the committee was charged with analyzing the state's school finance system and recommending ways of changing it which would guarantee every child in the state equal educational opportunity. The committee met monthly throughout the spring of 1974 to hear testimony on a wide variety of subjects, including the impact and equity of the current school finance system, the problems of urban school districts, and the financing of programs in special education, compensatory education and occupational education.[5]

During the fall of 1974, the committee considered a variety of school finance plans, all of which would substantially improve the equity of the current state school aid system. At a meeting on December 6, 1974, agreement was reached on a set of recommendations to be sent to the legislature. Those recommendations and a description of their purposes and impacts are explained in a committee report which is reprinted in the appendix.

The recommendations of the Committee on Equal Educational Opportunity were designed to meet four goals: 1) equalize the fiscal ability of school districts to finance their educational programs; 2) provide additional state support to school districts with children needing special educational programs; 3) leave control over educational decisions at the local level; and 4) provide equal educational opportunity for all elementary and secondary students in Oregon, without new taxes or a large increase in state support of public schools.

To accomplish these goals, the committee recommended a package of three major proposals: a local guaranteed yield program for distributing state school aid; three regional equalization districts; and categorical grants to assist school districts with special educational needs.

The local guaranteed yield program would guarantee that districts exerting the same local school tax effort would receive approximately the same number of dollars per pupil. The state would establish a local guaranteed yield schedule guaranteeing for every tax rate a corresponding level of revenues. Under this system, a school district would select how much it wants to spend per pupil and the tax rate that goes with that level of spendable dollars. If the district does not have enough taxable property wealth to raise the guaranteed amount from its school tax rate, the state would make up the difference.

The regional equalization districts would redistribute property tax revenues from property-rich areas to property poor school districts within three large regions of the state. A uniform tax would be levied on all property in a region. The receipts thus generated would be distributed to school districts in the same region on a per pupil basis. Wealth variations among the three proposed regions would be equalized by the state's local guaranteed yield program.

Categorical grants would provide assistance to school districts which have concentrations of students requiring high cost programs. Under the committee's proposals, grants would be provided for special education, compensatory education, transportation, occupational education, and necessary small schools.

## Oregon School Finance Project

To assist the Committee on Equal Educational Opportunity in its study, the Ford Foundation made a grant to the Oregon legislature for partial support of a school finance study and development of a data system regarding school finance.[6] The funds were used to employ a staff of school finance experts and to support the research activities of the staff. Known as the Oregon School Finance Project, the research staff was headed by Lawrence Pierce, from the University of Oregon. Principal consultants for the project were Professors Walter Garms from the University of Rochester, James Guthrie from the University of California, and Michael Kirst from Stanford University. All three consultants had worked together previously and have had wide experience in the analysis of school finance problems in other states.

The research staff was asked by the committee to analyze the current system of school finance and to prepare alternatives for the committee's consideration. It was also asked to develop a school finance computer simulation which would enable the committee and the legislature to quickly analyze the impact of a wide variety of financing schemes on each of Oregon's 339 school districts.

During the first five months of the study, the primary emphases of the Oregon School Finance Project were to collect essential information and develop the computer simulation. Information was collected from public hearings held by the Committee on Equal Educational Opportunity during the spring of 1974. The staff also worked closely with personnel in the State Department of Education to gather and check the accuracy of data used in the school finance simulation. In addition, the staff visited a number of school districts to find out the problems facing educators in different parts of the state and the reforms they would support.[7]

The Oregon school finance simulation was developed to permit policy makers to analyze the costs and impacts of alternative school finance plans. The simulation is a flexible tool for analyzing policy alternatives. It can provide answers quickly. By using projections of school enrollments and local property values, it can estimate the fiscal impact of alternative plans for five years into the future. It can also estimate the fiscal consequences of school district reorganization.

During the fall of 1974, the research staff prepared two staff reports and worked with the Committee on Equal Educational Opportunity in preparing a package of proposals for consideration by the 1975 Oregon legislature. The first report, entitled *Alternative School Finance Plans for Oregon: A Staff Report*, presented an analysis of the current school finance system and three alternative financing plans. The second report, entitled *A Local Guaranteed Yield Plan for Oregon: A Second Staff Report*, provided additional information on one of the alternatives presented in the first report.

This final staff analysis, *State School Finance Alternatives: Strategies for Reform,* is a detailed summary of the work of the Oregon School Finance Project. It presents technical information which may assist the legislature in its consideration of the proposals presented by the Committee on Equal Educational Opportunity. It also discusses several alternatives to the committee's proposals, as well as some related issues which were not part of the committee's deliberations or recommendations.

# STATE SCHOOL FINANCE ALTERNATIVES: STRATEGIES FOR REFORM

There are two volumes to this report. This first volume contains the staff's analyses of alternative patterns of state school finance reform. The second volume is a data supplement, which contains a number of computer runs on the impact of alternative school finance plans in Oregon. It also contains five-year enrollment projections and predictions of property values for every school district in the state. Copies of the data supplement may be obtained from the research staff of the Revenue Committees of the Oregon Legislature.

This volume is divided into eight chapters. Chapter 2 describes the school finance movement in the United States and the goals toward which that movement has been directed. Chapter 3 analyzes the current school finance system in Oregon and compares Oregon's school finance system with the equity criteria outlined in Chapter 2.

Chapter 4 describes four school finance plans which provide equity while at the same time protect local control.

Chapter 5 discusses several adjustments to the state school aid system which would direct resources to areas of educational need. School productivity and governance are covered in chapter 6. The seventh chapter discusses a number of technical problems confronting analysts working on state school finance systems. Chapter 8 summarizes the analyses and recommendations of the Oregon School Finance Project. The report of the Committee on Equal Educational Opportunity, glossary of school finace terms, and footnotes are contained in the appendix.

The recommendations of the research staff are sprinkled throughout the book. Sometimes a specific recommendation is made, while other times alternatives are presented with no specific recommendation. In several cases, a problem is outlined and various approaches to a solution are described.

This book is a product of the collective efforts of four people working closely together for fifteen months. Most of the ideas were discussed collectively before they ever found their way onto paper. Nevertheless, each of the authors was primarily responsible for specific chapters. Lawrence Pierce prepared chapters 1, 3, 4, and 8. James Guthrie wrote chapters 2 and 6 and the portion of chapter 5 dealing with compensatory eduction. Michael Kirst prepared the sections of chapter 5 on special education, occupational education, capital outlay, and cost of living. Walter Garms developed the Oregon school finance simulation, prepared most of the data runs and wrote chapter 7. Each of the chapters benefited from the careful reading and suggestions of all four of the authors.

There are a number of people who contributed to the ideas in this book and who deserve special acknowledgment. Iain More, Coordinator of the Office of Legislative Research of the Oregon legislature, was instrumental in obtaining the research grant from the Ford Foundation. The cochairmen of the Committee on Equal Educational Opportunity, Senate President Jason Boe and Speaker of the House Richard Eymann, assisted both the committee and the research staff in completing this study of alternatives to Oregon's school finance system. During the time we worked in Oregon, the staff also received the complete cooperation of the State Department of Education and the State Department of Revenue. Special thanks are due the research assistants who worked on the project: John Danner, Ronald Eachus, Gib Hentschke, Shonna Husbands, Rudy Marshall and John Westine. We would also like to thank the many educators and legislators in Oregon whose ideas and suggestions helped shape and enhance the suggestions for reform contained in this book. Finally we would like to thank the Ford Foundation whose grant to the Oregon legislature partially supported the research reported in this book. The views and recommendations sprinkled throughout this volume are solely those of the authors, however, and should not be attributed to the Ford Foundation nor the Oregon legislature.

# 2. GOALS OF SCHOOL FINANCE REFORM

# THE EVOLUTION OF SCHOOL FINANCE REFORM

School finance in the United States is in the midst of its third major wave of reform.[1] The first significant change occurred at the beginning of the 19th century with the advent of increased public support for education (which had theretofore been considered a private institution). A second reform movement took place at the onset of the 20th century. To meet the technical manpower needs of an institutionalized society, state governments enacted statutes encouraging a minimum level of universal education.

By the latter half of the 20th century, the American public considered schooling crucial for personal success and societal survival. Many people felt that the American dream of equal opportunity necessitated high quality school services for all children and that the required fiscal resources should be generated in a just manner. Thus was born a third school finance reform movement, concerned primarily with equity. This reform wave gained substantial momentum in the 1970s; in 1973 alone, 11 states significantly altered their method of generating and distributing funds for schools.[2]

Concern for the equity of educational finance was fostered by social scientists and legal scholars who, in writing and in court, questioned the constitutionality of many state school finance arrangements. These reformers contended that the taxation and distribution schemes of most states violated the equal protection clause of the Fourteenth Amendment of the U.S. Constitution. The U.S. Supreme Court, by a slender 5-4 decision, disagreed with this position.[3] Nevertheless, a number of lower courts found the argument compelling on state constitutional grounds. Thus, the movement toward equality was sustained.

Concern for the equity of the manner in which school revenues were generated was intensified in the 1960s and early 1970s by a number of scholarly attacks on the property tax. The negative view of academics was reinforced by growing voter reluctance to support higher tax rates for school measures. The pressure for change was sufficiently powerful that President Nixon during his first term gave serious consideration to a policy proposal which would have replaced school property tax revenues with proceeds from a federal value-added tax. However, by the mid-1970s, the pendulum of opinion had begun to swing back in favor of the property tax.[4] Nevertheless, the short-lived period of criticism had done much to focus policy makers' attention upon the inequities of property tax administration, and many states have altered their taxing procedures to achieve more equitable distribution of the school finance burden.

As a consequence of these reform activities, school finance issues are now balanced at a critical point. Much new theoretical and empirical knowledge has been amassed about school revenue generation and distribution, and sophisticated computer technology makes it possible to simulate the revenue and distributional consequences of a proposed statewide school finance plan. Several states (e.g., Florida and Maine) have made significant strides toward implementing a finance plan which achieves greater equity. Other states (e.g., California and New Jersey) are under court order to establish more equitable finance arrangements. Many more states have made incremental changes in the direction of equity. Several key questions face school finance reformers in the last quarter of the 20th century: Has the third wave of school finance reform reached its peak? Has the 1975 economic slump eroded public concern for achieving greater equity? Will state courts continue to demand reform of state finance statutes, or will they concur with the U.S. Supreme Court that no matter how "chaotic and unjust," present arrangements are legal?

Our purpose is not to predict future efforts to achieve equity. Our view is that, whether it persists at its present pace or is revitalized at a later date, school finance reform must continue. Too many students throughout the United States continue to be victimized merely because their parents reside in a school jurisdiction with low property wealth. In this system of fiscal roulette, taxpayers are subject to property tax rates which are more a function of the value of property in their district than their desire or ability to pay. We believe that schooling is too important to be left to such capricious public policies.

However, school finance reform is far from simple. It is enmeshed in complicated and conflicting economic values, social philosophies, and political interests. In order to succeed, a reform proposal must balance these many competing forces. In the sections which follow, we will analyze this whirlpool of conflicts. In subsequent chapters, we will describe in detail our specific proposals for equitable, effective and efficient reform of Oregon's school finance system.

# EQUALITY AND SCHOOL FISCAL POLICY

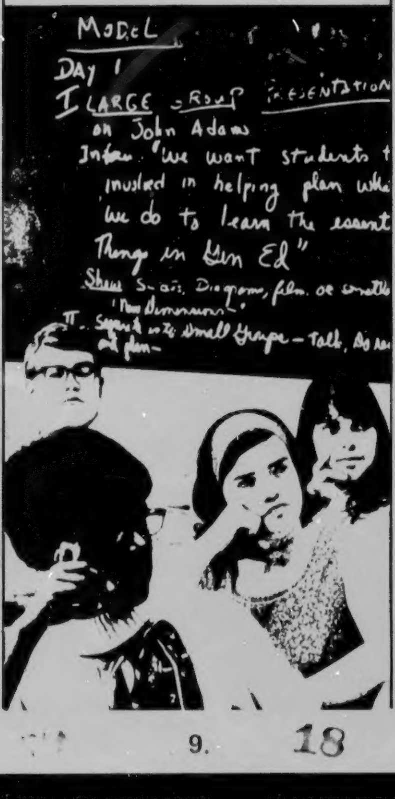
An objective observer of 20th century America would marvel at the diversity our culture is able to accommodate. This value maelstrom presents reform advocates with a remarkable political challenge. The task is to package changes to appeal to the widest collection of interests while simultaneously accommodating or neutralizing antithetical positions. Success in such an endeavor depends on diligence, artistry and good fortune.

In this section we will describe the value dimensions which we believe a school finance reform package must consider in order to be successful. Depending upon the history, political ethos and regional setting involved, an advocate may find it necessary to accommodate interests other than those we describe. Nevertheless, the following would appear to constitute at least a minimal list.

## Resource Equity

Oregon's present school finance system deviates substantially from any reasonable definition of resource equality. Dimensions of the existing disparities are described in detail in chapter 3. Suffice it to state here that the range of total per pupil receipts among Oregon school districts in 1973-74 was from a high of $5,038 to a low of $670. Property tax rates displayed similar diversity. In 1973-74 Umapine school district taxed itself $25.17 per $1,000 of true cash value (TCV), whereas Dickie Prairie district levied only $3.38 per $1,000 of TCV.

The mixture of motivations and circumstances determining expenditure levels and tax rates in different school districts is far too complex to discuss here. However, analysts have consistently found a strong positive correlation between per pupil expenditure rates and taxable property wealth. Indeed, most studies have found local school district wealth to be the primary explanation of school expenditure variations.[5] In short, the root of the problem is the unequal distribution of property wealth. By granting school districts the power to tax only that property which is within their boundaries, states have, in effect,


MODEL
DAY 1
I LARGE GROUP PRESENTATION
on John Adams
Inform "We want students t
involved in helping plan wha
we do to learn the essent
Things in Gen Ed"
Show S-axis, Diagrams, film, or something
'New Dimensions'.
II. Separate into small groups – Talk, Ag
and plan –

sanctioned unjustifiable expenditure inequities.

Agreeing upon the conditions which are unequal is far easier than agreeing upon conditions which are equal. How should equality be measured? Whose definition should be accepted? Neither courts, legislatures nor scholars have reached accord on such questions. The New Jersey Supreme Court, in *Robinson v. Cahill*, asserted that a school finance plan had to satisfy the state constitution's mandate to provide a "thorough and efficient" system of education.[6] The court then left it to the state legislature to decide what scheme satisfied the "thorough and efficient" test. In California and some other states, courts have held that a finance plan must comply with the principle of fiscal neutrality. This principle, first formulated by Coons, Clune and Sugarman in their landmark volume, *Private Wealth and Public Education*, holds that "the quality of a child's schooling should not be a function of wealth other than the wealth of the state as a whole."[7] As ingenious and profound as this assertion may be, note that it does not provide a definition of equality. The principle is a negative test. Presumably, such a test could be applied to determine whether or not a finance plan is satisfactory, but it does not automatically convey the positive; it does not specify the shape of a fiscally neutral plan.

In fact, fiscal neutrality probably constitutes only a minimum definition of equality. Many school finance schemes, embodying widely varying views of equity, can be constructed which would satisfy the principle of fiscal neutrality. The issue of educational equality is complex, but it rests at the heart of a school finance plan. We will therefore take time to describe some of the significant points on a definitional continuum, beginning with the simplest definitions of equity (those which focus upon school inputs), and moving on to more complicated definitions (those which focus upon school outcomes). At the end of this discussion we will discuss the equity definitions we employed for our analyses and recommendations.

## Input Equity

Perhaps the simplest form of input equity is to ensure that local school districts have the *ability* to spend an equal amount per pupil at equal tax rates. This approach does not mandate any particular expenditure level; the amount spent per pupil is left to the discretion of school district decision makers. However, once the expenditure level has been chosen, the tax rate is determined by the state. Any two school districts choosing to spend the same amount per pupil would have to tax themselves at the same rate. If application of the required tax levy to the base of local property wealth generates less than the specified per pupil amount, the state equalizes the dollar differences. Under a purist version of such a scheme, a wealthy district generating more than the specified amount would return the excess to the state.

This finance strategy has been known for over 60 years as "percentage equalizing." It has enjoyed greater popularity since 1970 under the label "district power equalizing."[8] For reasons we will explain later, we have chosen to rename percentage equalizing "local guaranteed yield" (LGY) plan. The point to be emphasized is that this means for achieving equity is based on "equity of opportunity." Equal tax rates guarantee equal resources, but the actual level of resources and taxes is left to the discretion of local decision makers.

Another approach to input equality involves providing precise dollar parity for each student. Advocates of this approach feel the state should allocate the exact same dollar amount for each school child. Under such a distribution plan it would not matter whether students were in kindergarten or high school, were mentally retarded or gifted, had parents who were wealthy and well-educated or poor and illiterate. Regardless of a pupil's circumstances, the state dollar allocation would be equal. Whatever its educational and social disadvantages, such a system would meet a test of fiscal neutrality.

A more complicated approach to input equality would require the state to provide equal educational services for each child, even if doing so necessitated unequal expenditures. For example, if a school district were located in a region with substantially higher educational costs than elsewhere in the state, a service parity scheme would compensate the high-cost district to equalize its ability to provide services. Some school finance plans attempt to do this through provisions like regional cost-of-living multipliers, municipal overburden indices and statewide teacher salary schedules.

## Output Equity

At the opposite end of the definitional continuum is the view that the educational outcomes for all children should be equal. Differences in per pupil expenditures are only a secondary concern under such an arrangement. If two pupils are of equal ability, they might well have the same amount of money spent upon their schooling; a child of more limited intelligence might need substantially higher expenditures to achieve equal knowledge and skill. The outcome equity purist would argue that an underachieving child is deserving of such resource differentials. As long as the science of pedagogy is unable to prescribe means for obtaining equal performance from every child, though, it makes little sense to seriously consider this extreme policy.

However, when expressed with a degree of moderation, the equal outcomes position has considerable merit. Many reasonable people agree that it takes greater resources to overcome the learning disadvantages imposed by mental retardation or certain physical handicaps. Similarly, there is increasing acceptance of the view that a deprived home environment can handicap a child's learning in a manner which requires added school resources to overcome. Thus, without arguing that all children should perform equally, it is possible to acknowledge that some children need a greater expenditure of educational resources in order to benefit from school.

This viewpoint is reflected by the inclusion in many school finance formulas of special provisions for physically or mentally handicapped children and children from economically disadvantaged homes.

As analysts we are somewhat eclectic with regard to this range of equity definitions; we believe that each view has at least some merit. As you will see in chapter 4, our recommendations include elements from various points of the definitional range. The framework for our approach is an "input" definition, and a relatively simple one at that. We advocate a range of local guaranteed yield plans which would permit local districts to choose their own resource levels above a certain minimal expenditure per student. However, local property tax rates would be equalized for any specified per pupil expenditure.

In addition to the LGY concept, we propose several elements of a more complicated "input" definition and utilize a few features of an "output" definition. For example, we do not believe that the instructional programs of sparsely populated districts should be penalized by the necessity to spend large amounts on transportation costs. In circumstances where an unusually large proportion of the revenue dollar is expended on noninstructional items, dollar parity is not equity. Consequently, we recommend that the state assume a high proportion of transportation costs, thus freeing local revenues for instructional purposes.

Continuing across the spectrum of equity definitions, we firmly advocate added funds for school districts with concentrations of students from low-income households. Equality of educational opportunity simply cannot be achieved in most instances unless some effort is made by the school to compensate for the relative lack of educational preparation and stimulation such children experience in their homes. Added services for such children necessitate added resources.

## Tax Equity

Just as there is a range of opinion regarding what constitutes resource equity, there are many points of view about taxation. Who should bear the burden of paying for school services? Does everyone in society benefit sufficiently from the schooling of youth that its burden should be shared equally between parents and nonparents? Or should parents and students pay more, on grounds that they benefit the most? Should schools be supported equally by everyone, or should wealthier residents be required to support a larger share of school costs? Should schools be supported from property tax proceeds, or should more progressive taxes such as a state income tax bear the full burden? All the points of view inherent in such queries have their spokesmen. Indeed, problems of tax equity are as complex as those affecting the equity of resource allocation.

In our discussion here, we chose not to enter deeply into these questions. Since political reality appears to dictate retention of the property tax in Oregon (and most other states) for some time, we saw little utility in arguing for its abolition. Furthermore, Oregon has one of the better administered property tax systems. Assessments appear as fair as humanly possible, and a number of provisions alleviate the inherent injustices of property taxes for low income individuals, farmers, etc. Lastly, Oregon's entire tax structure appears to be progressive and well administered. There is no sales tax, so state revenues stem primarily from progressive individual and corporate income taxes. These conditions argued for concentrating our efforts on distribution problems other than taxation. Our prime concern within the revenue domain was to ensure that equal school property tax rates would guarantee communities equal school revenues. Beyond that and the simulation of various property tax rate consequences for local school districts, we deliberately gave little attention to revenue and taxation.

# CONFLICTING GOALS

## Who Should Govern Public Education?

The second controversial topic with which finance reformers must deal is school governance. Americans adhere to the view that "decisions follow the dollar." This ideology, when coupled with the widely held principle of "home rule" necessitates the maintenance of a delicate balance of decision-making power. Equilibrium must be maintained between the state's constitutionally specified authority to provide education and the public's view that school decisions should be made by local units of government. Regardless of potential benefits for school children and taxpayers, any school finance plan which jeopardizes the balance of decision-making power is politically doomed.

Framers of the Constitution did not see fit to include education as a federal function. Indeed, neither the words education nor schooling appear in the document. Therefore, under the 10th Amendment, state government has primary responsibility for the provision of schooling. State constitutions acknowledge this responsibility, and a succession of important court decisions has reinforced states' plenary authority in education.

Despite the legal primacy of state government, important decision-making power has been vested in local school district officials. Few components of American political ideology are as firmly ingrained as "local control of schools." Americans have traditionally feared distant government and wanted to have important governmental decisions made close to home.[9]

As the population grew and schools became more numerous, local control also became a practical necessity. It was impossible, particularly without modern communications technology, to administer a large number of geographically dispersed schools from the state capitol. Out of necessity, decision-making discretion was delegated by the state to locally selected school board members.

The desire for local control over school decisions has provided the United States with an extraordinarily decentralized pattern of school governance. At one time, there were approximately 130,000 local school districts.[10]

This pattern of decentralization has had both advantages and disadvantages. On the negative side, the absence of uniform standards and strong centralized authority has permitted a few districts to offer inferior schooling. In part, this may have occurred because local residents were too ignorant to recognize high quality instruction. In other instances, substandard education may have resulted from the refusal of an elite power structure to provide adequate financial support. Regardless of the explanation, the outcome was the same; of the thousands of jurisdictions offering school services, a small percentage deprived students of an adequate education. Presumably, a more centralized school governance arrangement could have enforced higher standards.

Another disadvantage of local control has been its aid to defenders of the *status quo* in school finance. Their argument has been: "Decisions always follow the dollar. If the state plays a larger role in financing schools, then the state will play a larger role in deciding matters such as curriculum content, personnel policies and discipline practices. State dominance and the consequent erosion of local control would risk uniform indoctrination and ideological standardization. The only means of restricting unwarranted state intrusion in local matters and preserving independence is to continue to fund schools principally from local resources."

This line of reasoning does not acknowledge the possibility that funding and decision making can be separated. The outcome has been a weak state school finance role and the persistence of inequitable financing conditions. Such disparities have been tolerated for fear their cure would trigger state dominance of education. Despite those who contend that much decision-making power has shifted to the state and that "home rule" of schools is now more illusion than fact, the public perception that schools should be locally managed is still strong.[11]

The principal advantage of local control has been its substantial flexibility and adaptability. American public schools serve 90 percent of the eligible school age population. It is not likely that a centralized school system with its almost inevitable pressures toward uniformity and standardization, would have succeeded in meeting the desires of such widely divergent constituent elements. The ability of local authorities to adapt the tone and style of schools to the desires of local clients largely accounts for the widespread acceptance of public schooling in the United States.

Another advantage of decentralization (though more in theory than in practice) is the ability of individual units to experiment without jeopardizing the stability of an entire system. "Lighthouse" schools and districts, by virtue of their willingness and ability to experiment and test new ideas, set the standards for surrounding districts. According to some, these "beacons of excellence" elevate the quality of education throughout the nation.[12]

There is some evidence to suggest that the generation and distribution of school dollars can be centralized while retaining decentralized decision-making authority.[13] Nevertheless, in order to accommodate the strong political support for home rule, we have recommended a slate of school finance alternatives which emphasizes local control over financial decisions. Most of our analyses for Oregon favor the local guaranteed yield (LGY) equalization concept, which retains local control over expenditure levels and tax rates. It achieves the minimum definition of finance equity while attempting to optimize local control.

## Efficiency In Public Education

School costs have soared in the last several decades. Whether measured in terms of dollar amounts, proportion of GNP, or proportion of state and local government budgets, schooling has become an increasingly costly governmental service. This has occurred at the same time that revenue sources are being pressed ever harder to support other public services. It is no surprise that policy makers at all levels of government have been demanding evidence of greater school productivity. A large number of state statutes and local district plans have been devised in response to this movement known fashionably as "accountability."

Regardless of the strategy selected, contemporary school finance reform almost inevitably necessitates higher levels of school spending. In order to achieve even minimal fiscal neutrality and financial equity, presently low-spending districts must be enabled to spend more (a process usually termed "leveling up"). Of course, fiscal neutrality also might be achieved by reducing expenditures in high-spending districts, but political reality in most states renders such reductions highly improbable. Leveling up inevitably means more dollars for schools.

Most policy makers recognize the necessity for added school dollars, but they frequently express concern that additional resources should be deployed productively. In order to be successful, finance reform advocates must devise means for assuring efficient use of school dollars. The conventional approach to this problem has been to impose upon schools a technical efficiency model adopted from industry. Chapter 6 deals at length with the fallacies embedded in this approach and proposes a series of alternative governmental and organizational arrangements to achieve added productivity.

## Special Educational Needs

Regardless of the financial equalization plan selected, policy makers should consider providing added resources for (1) unusual instances of economic hardship, and (2) special instances of instructional enrichment.

### ECONOMIC HARDSHIP

Several states contain two or more economic regions within their boundaries, and in some instances the cost of living varies among these regions. Under such circumstances, equal school expenditures may not buy equal school services. For example, Florida annually conducts a cost of living survey for each of the state's 67 counties. In 1972, when Florida dramatically revised its school finance arrangements, the state cost of living index (with a mean of 1.0) ranged from a low of .87 near the Georgia border to a high of 1.20 near Miami. As a result, a cost index multiplier was incorporated in Florida's finance plan to adjust for regional differences in purchasing power. In this fashion, residents of extraordinarily costly counties were granted added fiscal resources.

Transportation expense differentials and population sparsity frequently are cited as causes for higher operating costs. Not only must children be bused farther in sparsely settled areas, but it frequently is necessary to maintain smaller schools than is economical. As a consequence, many state formulas provide added financial resources for small, isolated school districts. Such provisions are in keeping with an "equal services" definition of resource equity.

In Oregon special conditions which raise school costs are highly evident (transporation and small rural schools are two good examples), and we have recommended adjustments to the basic finance distribution formulas to compensate for such conditions. We also investigated cost of living variations in Oregon. A survey by the State Department of Revenue demonstrated an approximate seven percent cost differential between the Portland metropolitan area and rural areas in southwestern and eastern Oregon. However, it was not possible to devote sufficient resources to this study to obtain enough comparative date on prices to use in a state finance formula. We recommend that the state conduct a more comprehensive cost of living survey and include a cost of living adjustment in future finance plans.

### ADDED INSTRUCTIONAL COSTS

Certain school districts serve a student population which for a variety of reasons may pose added instructional problems. The most obvious example is districts which have a disproportionate number of children who are mentally or physically handicapped. Providing a blind or orthopedically handicapped child with anything close to "equal educational opportunity" necessitates substantial increases in expenditures. Also, policy makers now recognize that economic deprivation can impair a child's ability to profit from schooling. Consequently, compensatory education programs have been designed to assist such children in learning.

These efforts to enrich the school program for children who otherwise would never experience equal educational opportunity call for added funds. Here again, our finance recommendations take such conditions into account. Our aim has been twofold. We have attempted to design proposals which assure needy children of enriched instruction yet are economically efficient and mindful of the burden upon the taxpayers.

## URBAN INTERESTS

Court decisions mandating the redistricting of congressional and state political jurisdictions have had a profound influence upon the geographic distribution of political power.[14] Previously rural agricultural interests dominated many state legislatures, because electoral district boundaries did not reflect the nation's population shift from rural to urban areas. The suburbs have benefited most from redistricting but cities have also acquired a significant bloc of legislative votes. For example, New York City, Chicago, Los Angeles, Seattle and Portland do not control an absolute majority of votes in their respective state legislatures, but they do have sufficiently large blocs of votes to effectively veto many legislative proposals. Political reality makes it necessary to accommodate urban interests, particularly in the area of school finance reform.

City spokesmen believe they have a good case for extra attention in school finance matters for two primary reasons. First, city school populations contain disproportionately large numbers of children in need of special educational services. Usually more children from low income households and more physically and mentally handicapped children reside in cities than elsewhere. The other special problem is frequently labeled "municipal overburden." Cities are generally forced to support more costly public services than surrounding areas. Moreover, many of the services are utilized by nonresidents who contribute no tax revenue. Consequently, the overall city tax rate (including school taxes) is typically higher than for suburbs and rural areas. However, because of the necessity to support a wide range of noneducational services, the high urban tax rate does not benefit schools, even though the property tax base of cities is usually higher than the state average.

Oregon's largest and politically most influential city is Portland, which fits the urban stereotype we have just described. Moreover, its school age population is declining, which reduces state revenues directly. In addition, the overwhelming majority of Portland's voters no longer have children of school age, and they appear increasingly reluctant to tax themselves for school support.

Portland is caught in a vise between rising school costs and a population which is increasingly reluctant to meet those costs. Portland's legislative representatives believe that because schooling is a state responsibility, the state should assist in meeting school expenses. They argue that Portland's income tax and business tax contributions are a great asset to the state, and it would be only fair for a larger share of the city's contributions to return to their source. We are sympathetic to Portland's situation, and our finance strategies include several means to help its schools meet their added costs.

## State Standards

A school finance strategy may include mechanisms for the state to express its interests in education. For example, if a state legislature is concerned that school districts maintain at least minimal performance standards for pupils, it may link economic incentives to its distribution formula. Michigan has used this approach for compensatory education programs. Michigan employs standardized tests to identify children and districts in need of special programs and provides added resources accordingly. However, if improvement in student achievement does not subsequently take place, the state may impose financial penalties.

Beyond a concern for maintaining minimal standards, states may also offer financial incentives to improve the quality of instruction. In the past, some states provided school districts with added money as an incentive to establish secondary schools. More recently, this strategy has been employed to induce districts to establish kindergartens. The process is one of using added state resources as a "carrot" to induce local districts to revise or add programs. We have included a similar strategy in our Oregon recommendations for occupational education to encourage the spread of a number of new career training ideas and programs.

## Simplicity

It takes only the cursory reading of school finance statutes to realize that in most states they are hopelessly complicated. Typically only a few staff members in the legislative and executive branches really understand a state's arrangements. Legislators, educators and the public are generally mystified by the legal technicalities surrounding the interaction of state and local school finance procedures. This complexity presents a special problem to reformers. In order to build enough support to pass a school finance plan, the plan must be sufficiently simple to be understood. On the other hand, accommodating the conflicting interests and values we have been describing entails some statutory complexity.

Designing a school finance scheme which meets a strict test of fiscal neutrality is rather easy. However, designing a plan which meets that test and simultaneously satisfies the variety of interests concerned with school finance and its effects is a rigorous undertaking. Throughout this report we have been constantly mindful of the need for simplicity. We have attempted to design finance and governance features which are straightforward and intelligible to laymen, as well as experts. Simultaneously, we have attempted to incorporate a number of educationally sound and financially valid features to enhance the political attractiveness of our proposals. How well we have succeeded in our efforts, only time will tell.

# 3. INEQUITIES IN OREGON'S CURRENT SCHOOL FINANCE SYSTEM

# FINANCING PUBLIC EDUCATION IN OREGON

Any attempt to change the method of financing public primary and secondary education in a state must begin with a discussion of the current system and its weaknesses. As in other states, primary responsibility for education in Oregon rests with the state, although the state has chosen to delegate much of the responsibility for operation and financing of schools to local school districts. This chapter describes the interrelationships between state and local financing of schools in Oregon. Of particular interest is how well the state is meeting its constitutional responsibility to provide a "uniform and general" system of education under the present financing arrangements.[1]

In 1973-74 public elementary and secondary education in Oregon was financed by a combination of federal (4.1 percent), state (24.4 percent) and local (71.5 percent) funds.[2] The state of Oregon's share, which stems primarily from personal income taxes, is one of the lowest in the U.S. Only five states pay a smaller proportion of educational costs than Oregon; on the average, states contribute 43 percent of the operating costs of schools.[3]

In Oregon, property taxes are the primary source of local revenue for school districts. Consequently the property wealth of different school districts largely determines their ability to finance educational programs.

If variations in property wealth among school districts were relatively small, heavy reliance upon local property tax would not make much difference. However, in Oregon wealth variations among school districts are great. In 1973-74 the wealthiest school district in Oregon (Brothers No. 15) had a true cash value (TCV) of $537,761 per pupil, while the poorest district (Knox Butte No. 19) had a TCV per pupil of $16,119.[4] That's a ratio of 35.4 to 1. Of course this is a comparison of extremes. Small school districts with high property value can distort the picture of the real situation in the state. In order to eliminate this kind of distortion, we can compare districts in the 90th and 10th percentiles of wealth per pupil. When this is done we find the district in the 90th percentile (Helix No. 1) had for 1973-74 a TCV of $132,136 per pupil, while the district in the 10th percentile (Orient No. 6J) had $27,907. That's a ratio of 4.7 to 1. With the same tax effort, the district in the 90th wealth percentile is able to raise nearly five times as much revenue as the district in the 10th percentile.

To further clarify the picture of wealth variations among Oregon school districts table 3-1 presents a profile of district wealth, per pupil tax revenue, and tax effort and district size (expressed in terms of weighted average daily membership, or ADMW) for a sample of 38 selected districts. These 38 districts were selected to illustrate the range of school districts in Oregon. In this profile the range of wealth is over 8 to 1; clearly there are obvious wealth disparities in Oregon.

The relationship between wealth, tax effort and tax revenues available for school offerings is not clear cut, however. Both the state school aid formula and the intermediate education district equalization levy tend to reduce the advantages of wealthy districts by redistributing money to property-poor districts. Despite this equalization, table 3-2 clearly shows that wealthy districts can still afford more expensive school programs at somewhat lower tax rates than poor districts of comparable size. In table 3-2 four relatively rich and five relatively poor districts are matched in two groups; the first group consists of unified districts with more than 1,000 students and the second consists of unified districts with less than 1,000 students. In each group, richer districts average a substantially lower tax rate than poorer districts. The average educational offering in the property-rich districts is also higher than in the property-poor districts. In both groups, rich districts spend more on the average than poor districts, with substantially less tax effort.

It can clearly be demonstrated that there is need for additional school finance equalization in Oregon. To see why this is the case, we must consider how state funds are allocated to local school districts.

table 3-1

## 1973-74 PROPERTY WEALTH, SIZE, RECEIPTS AND TAX EFFORT OF 38 OREGON SCHOOL DISTRICTS

| Sample Districts | Wealth $/pupil | ADMW | Receipts/ ADMW | Tax rate/ $1000 TCV |
|---|---|---|---|---|
| Plush No. 18–U | $482994.41 | 8.05 | $2825.84 | $5.02 |
| Olex No. 11–U | 183985.90 | 39.22 | 1839.64 | 11.64 |
| McKenzie No. 68–U | 171388.42 | 481.05 | 1973.45 | 14.95 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 1833.63 | 5.23 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 1418.08 | 14.09 |
| Harper No. 66–U | 69795.57 | 110.50 | 1274.17 | 16.91 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 1318.53 | 13.65 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 1244.10 | 12.49 |
| Bend No. 1U | 51026.99 | 6052.00 | 1200.27 | 14.92 |
| Parkrose No. 3–U | 50635.40 | 5745.87 | 1160.80 | 15.02 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 1250.04 | 8.59 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 1273.49 | 18.94 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 1531.29 | 20.62 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 1270.36 | 19.19 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 1368.60 | 17.20 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 1332.47 | 18.17 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 1416.46 | 16.92 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 1359.73 | 15.26 |
| Medford No. 549–U | 41992.99 | 10882.59 | 1017.98 | 18.45 |
| Oregon City No. 52–U | 41538.87 | 6538.50 | 1026.58 | 6.90 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 1103.48 | 19.22 |
| Coos Bay No. 9–U | 49373.96 | 6584.40 | 1207.03 | 18.46 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 1232.33 | 12.96 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 1438.43 | 14.18 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 1138.14 | 16.43 |
| Falls City No. 57–U | 38109.75 | 218.00 | 1380.86 | 16.43 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 1104.35 | 10.77 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 1226.76 | 18.22 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 1246.63 | 17.92 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 1283.21 | 11.20 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 1093.46 | 6.78 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 1170.81 | 14.72 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 1167.14 | 16.56 |
| Scio No. 95C–U | 25369.02 | 923.10 | 1005.12 | 9.79 |
| Reedville No. 29–E | 24810.24 | 875.00 | 1029.89 | 9.58 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 1149.08 | 9.29 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 1082.86 | 7.78 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 1255.75 | 9.15 |
| **Mean for State** | **47621.84** | **516233.45** | **1247.44** | |

U = Unified School District E = Elementary School District
UH = Union High School District
Source: Data provided by the Oregon State Department of Education

table 3-2

## COMPARISON OF PROPERTY WEALTH, TAX EFFORT AND EDUCATIONAL OFFERING

| Unified District | TCV/ ADMW | Tax Rate/ $1000 TCV | Receipts/ ADMW |
|---|---|---|---|
| **Over 1000 ADMW High Wealth** | | | |
| Central Linn | 92,261 | 14.09 | 1,418.08 |
| Portland | 67,790 | 13.65 | 1,318.53 |
| Reedsport | 67,098 | 12.49 | 1,244.10 |
| Bend No. 1 | 51,026 | 15.02 | 1,200.27 |
| **Average** | **69,544** | **13.81** | **1,295.25** |
| **Over 1000 ADMW Low Wealth** | | | |
| Redmond | 36,175 | 17.92 | 1,246.63 |
| Creswell | 30,679 | 14.72 | 1,170.81 |
| Hermiston | 26,479 | 16.65 | 1,167.14 |
| Fernridge No. 28J | 24,959 | 15.09 | 1,062.11 |
| **Average** | **29,573** | **16.10** | **1,161.67** |
| **Under 1000 ADMW High Wealth** | | | |
| Plush No. 18 | 482,994 | 5.02 | 2,825.84 |
| Olex No. 11 | 183,968 | 11.64 | 1,830.64 |
| McKenzie No. 68 | 171,386 | 14.95 | 1,937.46 |
| Harper No. 66 | 59,796 | 16.91 | 1,274.17 |
| **Average** | **227,036** | **12.13** | **1,967.03** |
| **Under 1000 ADMW Low Wealth** | | | |
| Falls City | 38,110 | 14.13 | 1,380.86 |
| Prairie City No. 4 | 33,538 | 13.54 | 1,165.86 |
| Gaston 511J | 27,996 | 24.42 | 1,183.23 |
| Ukiah No. 80 | 22,731 | 18.91 | 1,323.08 |
| **Average** | **30,594** | **17.75** | **1,263.20** |

Source: Data provided by the Oregon State Department of Education

# STATE SUPPORT

The state provides funds to local school districts through the Basic School Support Fund (BSSF), categorical grants and the Common School Fund. The BSSF is by far the largest source of state support. Additional funds are provided to school districts for special education programs for the physically, emotionally and mentally handicapped, for migrant children and for socially disadvantaged children.

The smallest and least consequential source of state support is the Common School Fund or Irreducible School Fund. This fund is authorized by Article VIII, Sec. 2, of the State Constitution to provide for the distribution of income arising from the sale of lands given to the state by the federal government. In 1973-74 $2.8 million was distributed from the Common School Fund. Since these funds are offsets to the BSSF receipts they have no practical consequence to local school districts.

## Basic School Support Fund

Nearly 94 percent of state support comes from the Basic School Support Fund. This amounted to $143,667,742 in 1973-74, or about 28 percent of total school operating expenditures that year. Table 3-3 shows the growth in the BSSF since 1967 and its relationship to total current operating expenditures for all schools.

**table 3-3**
**GROWTH OF THE BASIC SCHOOL SUPPORT FUND IN OREGON SINCE 1967**
**(in thousands)**

| School Year | BSSF | Current Expenditures | BSSF as a % of Current Expenditures |
|---|---|---|---|
| 1967-68 | $ 77,786 | $286.729 | 27.1% |
| 1968-69 | 77,431 | 325,536 | 23.8 |
| 1969-70 | 88,928 | 363,363 | 24.5 |
| 1971-72 | 99,428 | 433,926 | 22.9 |
| 1972-73 | 104.063 | 467,815 | 22.2 |
| 1973-74 | 143,668 | 513,380* | 28.0* |

*estimated figures

The operation of the BSSF is complex, but basically it is what is known in school finance as a foundation program.[5] In such a program, the state guarantees each school district the ability to raise, at a state-established tax rate, a foundation amount (a minimum dollar level per pupil). The amount raised by each district at the designated tax rate is supplemented by state aid to the extent necessary to raise district revenues to the guaranteed foundation level.

In Oregon, the foundation level is referred to as the basic program level. The state, by statute, establishes a basic program level of expenditures that is supposed to provide each child with an adequate basic education. However, instead of determining this minimum expenditure level by an analysis of program needs, the statutes require that the basic program be computed by a formula based on the relationship of current educational costs to 1955-56 costs. The formula begins with an initial base of $230 established by the legislature in 1957.[6] This figure is increased by the proportion of average current costs to the average costs in 1955-56. In 1973-74 this computation produced a basic program level of $682.23 per pupil, well below the statewide average expenditure of $1,058.[7]

The dollar amount of the BSSF is determined by the state legislature. This means it must compete politically with all other demands for funds and tax monies. The BSSF is divided into five accounts. Two of these, the flat grant and equalization funds, are collectively considered the Foundation Account. Funds in these two accounts are used to guarantee that every district will receive sufficient revenue to provide at least the basic program level.

From appropriated BSSF funds, the state reimbursement for transportation costs is first subtracted. In 1973 this was $9.5 million. Then, according to statute, 20 percent of what remains is reserved for equalization, and most of the rest is distributed in flat grants, with a small amount used to adjust for enrollment growth or decline. In 1973-74 the flat grant amount was $206.31 per pupil. Table 3-4 depicts the allocation of the BSSF in 1973-74.

The method for apportioning these segments of the BSSF is specified by law. A review of these various methods demonstrates the awesome complexities of the Oregon system.[8]

**table 3-4**
**THE BASIC SCHOOL SUPPORT FUND 1973-74**

| | Millions of Dollars | Percent of Total |
|---|---|---|
| A. Transportation Grants | 9.5 | 6.6 |
| B. Equalization Account (20% times A-B) | 26.8 | 18.7 |
| C. Flat Grants, Growth and Declining Enrollment Accounts | | |
| Flat Grants | 105.2 | 73.4 |
| Growth | 1.5 | 1.0 |
| Decline | 0.5 | 0.3 |
| **Total** | **143.6** | **100%** |

## Transportation

Transportation grants are made to local school districts providing transportation services in accordance with the regulations and standards established by the State Board of Education. Grants are reimbursement for a portion of the expenses incurred for home-to-school transportation of pupils and any board and room provided in lieu of transportation.

The amount set aside for transportation in the BSSF is 60 percent of the approved statewide transportation costs two years previously. For example, transportation reimbursements in 1973-74 amounted to 60 percent of approved statewide costs for 1971-72. The reimbursement each district receives is based on the ratio of its approved costs to statewide transportation costs for the previous year. Thus, the state's 1973-74 BSSF apportionment for transportation is 60 percent of 1971-72 statewide costs, and each district's reimbursement is based on the ratio of its 1972-73 costs to statewide costs in 1972-73.

## Flat Grants, Enrollment, Growth and Decline

Flat grants are computed using each school district's weighted average daily membership (ADMW). This measure is intended to reflect the higher per pupil costs of high school services. Unweighted average daily membership reflects the average number of children attending school during a given period. To compensate for the relatively high cost of secondary education, the law provides that the ADM in grades 9-12 shall be increased by 30 percent. In other words, the ADMW of a district equals the ADM of grades K-8 plus 1.3 times the ADM of grades 9-12.[9]

Flat grants are based on the ADMW of the previous year, with adjustments for enrollment growth and decline. Each district receives flat grant and equalization money (if eligible), based on the previous year's weighted enrollment. In addition, each district receives flat grants to compensate for enrollment growth or decline. Growth and decline are computed by comparing each district's ADMW for the quarter of the apportionment year ending December 31 with the previous year's final ADMW. A district with an enrollment growth receives additional flat grant money to cover total ADMW growth. A district with an enrollment decline receives flat grant money for 75 percent of the decline.

The size of the flat grant depends on the amount of money available for flat grants and the total statewide ADMW after adjustment for enrollment growth and decline. In 1973-74, $107,283,075.85 was available for flat grant distribution. Total ADMW eligible for flat grants was determined by adding the total ADMW for the previous year to the growth and decline totals for the current year.

| | |
|---|---|
| ADMW previous year | 508,372.0 |
| Growth in ADMW | 7,434.5 |
| Decline in ADMW (75%) | 4,193.4 |
| Total | 519,999.9 |

The amount available for flat grants, divided by total adjusted ADMW, yields a flat grant amount of $206.31 per ADMW.[10] The apportionment of the entire account was:

| | |
|---|---|
| Flat Grants: | 508,372.0 x $206.31 =<br>$104,882,225.82 |
| Growth: | 7,434.5 x $206.31 =<br>$1,533,811.56 |
| Decline: | 4,193.4 x $206.31 =<br>$865,139.42 |
| | $107,281,176.80 |

The apportionment of funds for declining enrollment begs for illustration, since it gives a particular advantage to districts which are losing students.[11] If a district had 3,000 ADMW on June 30, 1973 and 2,000 ADMW on December 30, 1973, it would receive in 1973-74 flat grants for 3,000 ADMW plus declining enrollment grants for an additional 750 ADMW (75 percent of 1,000). The district would receive 1973-74 flat grants for 3,750 students, rather than the 2,000 actually enrolled. If the same district's enrollment remained at 2,000 ADMW the next year, it would receive a flat grant allocation for 2,000 ADMW, a loss of 1,750 ADMW from the year before.

In other words, a district would receive considerably more state money if its enrollment declined than if it remained constant. But, it would face a large reduction in state funds the next year if enrollment leveled off and did not decline further. Declining enrollment grants enlarge a district's state allocation one year but deflate it the next year.

## Equalization

As mentioned before, equalization aid is given to school districts which cannot support the approved basic program at a designated local tax rate. The law provides that 20 percent of the BSSF remaining after the apportionment for transportation shall be used for equalization. This amount in 1973-74 was only $26.8 million, or 2.5 percent of total school revenues. In order to ensure that this small amount raises every district to the foundation level of $682.23, the state computes a tax rate which, if applied (it is not), would allow all districts to reach the $682.23 foundation level with the assistance of flat grants and the available amount of state equalization aid. Districts which can raise the difference between the foundation amount and the flat grant ($475.82 in 1973-74) at the computed tax rate (10.76 in 1973-74) receive no state equalization. Districts which would raise less than the necessary amount at the computed tax rate (in 1973-74 this included all districts with less than $44,230 property value per student) receive the amount needed to reach $475.92. Equalized tax receipts of $475.92 added to the flat grant equals the foundation level of $682.23. Although the amount of equalization money is small, 174 Oregon school districts (51.3 percent) received state equalization funds in 1973-74.

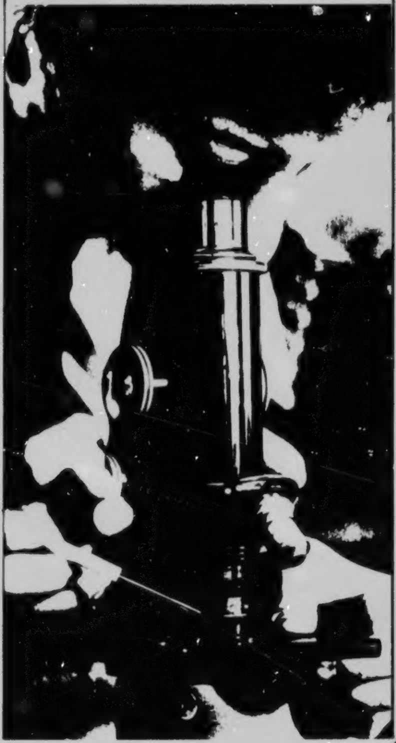
It is important to note, however, that the state equalization program neither ensures that all districts raise the basic program amount nor that all districts tax themselves at the designated required rate. Property-poor districts which tax themselves at less than the suggested rate will not raise the basic program amount even with state equalization aid. At the same time, wealthy districts may raise considerably more than the basic program amount at tax rates well below the suggested rate.

The actual amount of equalization aid a district receives is computed according to the following formula:

Basic program x ADMW
—minus—
State flat grants
—minus—
Federal forest fees and common school fund receipts
—minus—
State-computed tax rate times district true cash value
—equals—
State equalization aid to the district.

According to this formula, state flat grants and the local contribution at the computed tax rate are subtracted from the basic program amount. If flat grants and the local contribution are insufficient to raise the basic level, the district will receive equalization aid.

# LOCAL RECEIPTS AND LOCAL PROPERTY TAXES



## School District Taxes

About one-half of the school costs are financed with receipts from local property taxes. In 1973-74, Oregon school districts raised approximately $340 million, or 51 percent of the total amount spent for support of schools.[12] The amount of property taxes a particular school district may generate without voter approval, however, is limited by the Oregon Constitution. Article XI, Section 11 of the Constitution provides that no taxing unit, including school districts, may levy a property tax which would raise revenues exceeding its tax "base" by more than six percent. In other words, the amount that can be raised by a school district for any particular year without a budget election is the amount generated in any one of the last three years in which a tax was levied, plus six percent. This revenue ceiling is referred to as the six percent limitation.

The tax base of a school district may be exceeded in two ways: (1) by means of an election where voters approve a dollar amount in excess of the tax base for one year only; and (2) by means of an election where voters approve a new and still higher base.

The effect of the six percent limitation on revenue growth can best be understood by considering the manner in which a typical school district budget is constructed. Table 3-5 depicts the Eugene Public School District's budget for the past five years, showing the amount raised within the six percent limit, and the amount raised beyond the limitation.

The revenue base for tax purposes in 1970-71 in Eugene was $1,282,733, so the school district could raise for 1971-72 that amount plus six percent ($1,359,697) without a vote of the people. This amount was considerably less than the $16,903,969 needed after the district's nonproperty tax receipts were subtracted from the district's total budget of $22,196,347. It was necessary, therefore, to ask the voters to approve an additional levy of $15,544,272 to raise funds beyond the six percent revenue limitation. That approval did

table 3-5

EUGENE PUBLIC SCHOOL DISTRICT REVENUES, 1970-71 THROUGH 1974-75

| Year | Allowable Revenue Base | Property Tax Revenues Available Within 6% Limitation | Property Tax Revenues Generated Beyond 6% Limitation | Total Local Property Tax Revenues | Total Budgeted School Expenditures (State + Local) Funds |
|---|---|---|---|---|---|
| 1970-71 | $1,282,733 | $1,210,125 + 72,608 | $15,432,586 | $16,714,219 | $21,276,192 |
| 1971-72 | 1,359,697 | 1,282,733 + 76,964 | 15,544,272 | 16,903,969 | 22,196,347 |
| 1972-73 | 1,441,279 | 1,359,697 + 81,582 | 16,469,615 | 17,910,894 | 23,624,542 |
| 1973-74 | 1,527,756 | 1,441,279 + 86,477 | 16,096,761 | 16,624,517 | 25,720,430 |
| 1974-75 | 1,619,421 | 1,527,756 + 91,665 | 19,329,667 | 20,949,008 | 30,302,874 |

Source: Eugene Public School District

not, however, increase the district's tax base; it simply authorized the increased tax levy for one year.

Since its revenue base is so small in comparison to its total dollar needs, the district must seek voter approval to raise tax revenues outside the six percent limitation every year. The amount for which the district seeks voter approval bears no relationship to the increase in the district's budget. It is simply the difference between the total tax revenues needed and the legally allowed revenue base. Because the revenue base grows at six percent a year, regardless of budget requirements, enrollment fluctuations or inflation, it becomes increasingly inadequate every year.

The tax revenue base in Eugene is so small that the current limitation performs no useful purpose. Should the voters fail to approve a tax rate to raise funds outside the six percent limitation schools would probably close. At least, they would not be able to operate for a full year. This leaves the voters at the mercy of school budget makers, since they must either accept what is offered to them or have no schools. Many educators in Oregon admit that this impossible choice has worked to the advantage of those who would like to see more money spent on schools.

One other feature of the six percent limitation is that the annual increase in revenues that can be raised without a vote is based upon the dollar amount of the previous tax base. Thus if there is a substantial increase in the value of property in a school district due either to new construction or inflation, the school district will not receive any more than if the property values fell. Large increases in property values lead only to lower tax rates.

The six percent limitation applies only to a school district's operating revenues and not to funds for capital outlay or interest on bonds which have previously been approved by the voters. It is also possible for a school district to ask voters to approve serial levies for "the purpose of financing the cost of any service, project, property or equipment, which a subdivision has lawful power to perform, construct or acquire, and of repairs and improvement thereto, and of maintenance and replacement thereof."[13] Such serial levies are not subject to the six percent revenue limitation. Only a few districts have attempted to use such levies, however, for the operation of their schools.

## Intermediate Education Districts

A second major source of local property tax support for schools is the intermediate education district equalization levy. In 1973-74 $110 million were distributed by IEDs to school districts in the state.[14] An IED is an agency that does not operate public schools but provides special services for school districts within its boundaries. Its boundaries enclose the districts it serves and more or less follow county boundaries. There are 29 IEDs in the state. Two counties (Linn and Benton) are in a single IED, and six counties that have county school districts (Hood River, Klamath, Lincoln, Josephine, Crook and Marrow) do not have IEDs.

The IED operates much like a common school district; it has a board of seven members and prepares an annual budget. The IED budget consists of two parts: its own operating budget and IED equalization funds. The total amount for these two purposes (plus an amount which can be set aside for distressed districts) is subject to the six percent limitation which can only be exceeded with the approval of the voters within the IED. IED operations have first access to the total revenues raised, with the balance available for equalization. So even within the six percent limitation, there is no control over IED operating expenses except the discretion of the IED board. This has caused much voter concern and has made it increasingly difficult for IEDs to pass budgets outside the six percent limitation.

The IED equalization levy, like the equalization account of the Basic School Support Fund, is intended to help less wealthy districts support their education programs. Prior to March of each year, every IED estimates an amount equal to 50 percent of the total estimated operating revenues in all school districts within its boundaries. To this amount the IED adds its own operating budget. If the total amount exceeds the six percent revenue limitation, that portion above the limitation must be approved by voters as a separate IED equalization levy.

From the total revenues raised, IED operating funds are taken off the top and the balance is distributed as equalization aid to individual school districts on a per student basis. The amount each school district receives is then entered into a computation by the county assessor, and local district tax rates are adjusted. The greater the IED levy, the lower the net school tax rate for local districts.

In four IEDs (Grant, Harney, Wheeler and Wallowa) a different procedure is followed.[15] In this case, the IED raises revenues to cover both IED operating expenses and the total operating budgets of the component school districts. After deducting IED operating expenses, all remaining revenue is distributed among the school districts according to the ratio of each approved district school levy to all other school levies.

The effect of the IED levy is to redistribute some property tax revenues from areas with above-average property values per pupil to areas with below-average property values per pupil. Consequently, some school districts are contributing districts, and others are receiving districts. In this way some equalization of the fiscal ability of school districts within each IED is achieved.

The IED equalization levy fails, however, to achieve the state goal of equalization in at least three ways. First, only a small portion of the funds raised by each IED is redistributed from property-rich districts to property-poor districts. In 1973-74 a total of $110 million was raised for IED equalization in IEDs, but only $11.5 million was redistributed from wealthy to poor districts. Second, even though wealth varies substantially between IEDs, the system does not permit redistribution of revenues among IEDs. Consequently, under the present state formula, a number of districts that receive state equalization aid are contributing districts under the IED equalization formula. The opposite also holds true. Third, the amount of equalization that can be accomplished within an IED depends on the amount of revenue available for equalization. Because of differences in total tax bases and voter acceptance, the IED equalization can be important in some IEDs and trivial in others.

## County School Fund

Each county is required to establish a county school fund and levy from this fund an amount equal to the lesser of two amounts: (a) the minimum amount it was required to levy for schools in the 1965-66 tax year; or (b) $10 per capita for all children within the county between the ages of 4 and 20 years (as shown by the preceding census).

There is no limit on the amount which can be distributed by the county school fund, except that the overall county levy (of which the county school fund is a part) is subject to the six percent limitation. Some counties provide nontax revenues from federal timber lands to school districts in excess of the amount required by law. Others use county school fund receipts to pay the expenses of county residents who attend special schools for the deaf and blind in other counties. Most of the county school money is distributed on an ADMW basis to school districts in the county.

## THE INEQUITY OF OREGON'S FOUNDATION PROGRAM

The Oregon State Constitution requires "the legislative assembly shall provide by law for the establishment of a uniform, and general system of common schools." Oregon statutes also specify that the BSSF "shall be distributed to equalize educational opportunities and conserve and improve the standards of public elementary and secondary education."[16] It is now appropriate to inquire whether these goals are realized under the present Oregon school financing system.

The effect of the BSSF on equalization is illustrated by the three types of districts as shown in figure 3-1. District A receives equalization funds; District B does not raise the basic level at the state-computed rate of $10.76 but does raise at least that much with the addition of the state flat grant; and District C generates funds at or above the minimum program level with local tax effort at the state-computed rate.

Two major problems with the present system in Oregon are demonstrated by these basic models: the foundation program itself, and the effect of the flat grants. In 1973-74, 174 of the state's 339 school districts received equalization funds, but almost all districts spent above the basic program level. (As we stated earlier the average expenditure was $1,058.)

The decision by most districts to spend above the basic program level unveils a fundamental shortcoming of the foundation program: it does not ensure that all districts will have the same offering if they make the same tax effort. Offerings are not even uniform at the state-computed tax rate. The foundation program only assures that poorer districts will have the same number of dollars to spend at the state-determined rate; at that same rate, wealthy districts can still raise more than the foundation level. Above that level, what is produced by a given tax effort depends entirely on a district's property wealth — rich districts can always generate more revenue at every tax increment.

If we refer back to the three types of districts in figure 3-1 we can see what happens above the basic program level.

figure 3-1

DISTRICT RECEIPTS AT THE $10.76 STATE-COMPUTED TAX EFFORT

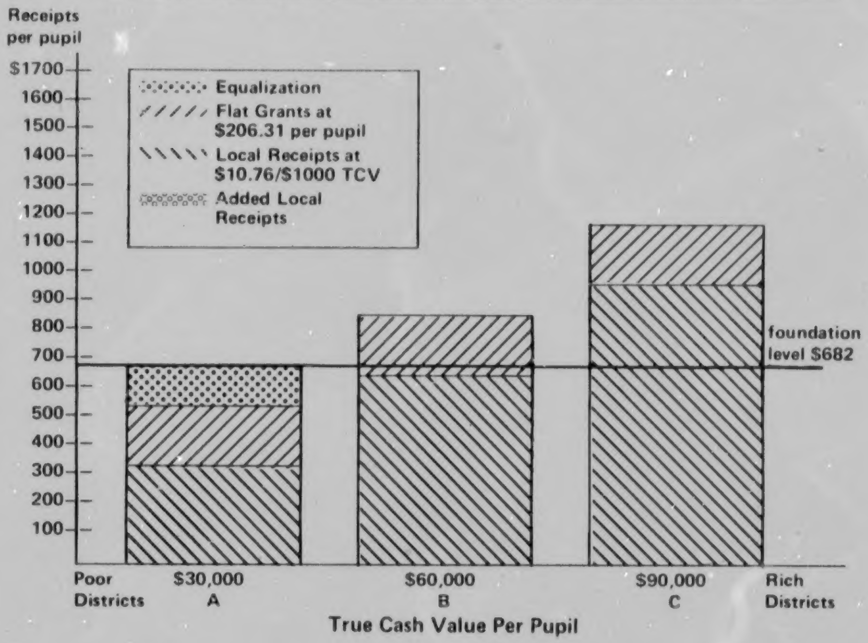
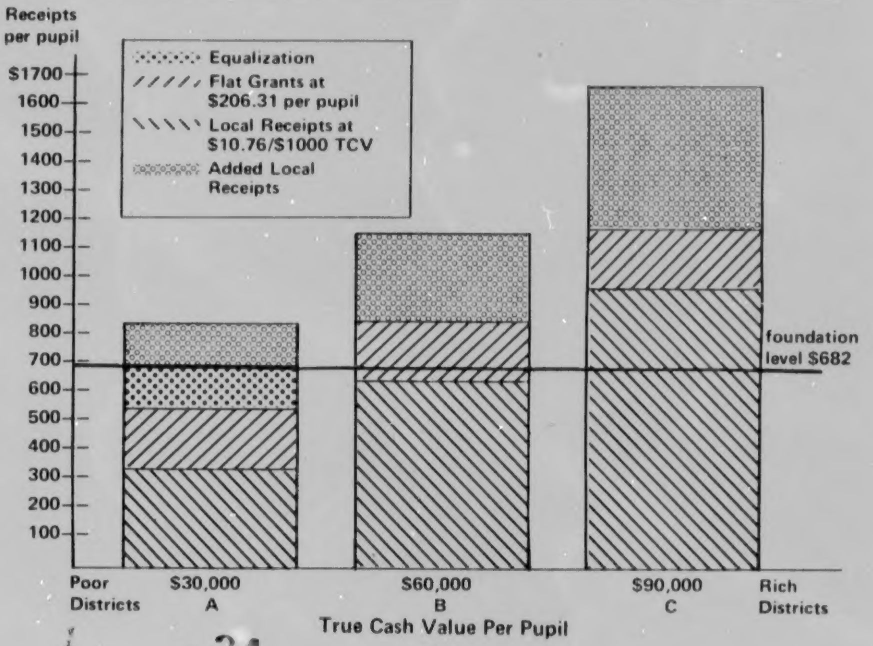


figure 3-2

DISTRICT RECEIPTS AT $15.76 SCHOOL TAX RATE AND $10.76 STATE-COMPUTED TAX EFFORT



Assume that each district increases its tax effort over the state-computed rate by $5 per $1,000 TCV. The result is shown in figure 3-2. For the same increase in tax effort, property-rich district C raises three times as much revenue as property-poor district A.

In a foundation program like Oregon's, effective equalization depends on the relationship between the foundation level and actual expenditures.

The more a district spends above the basic program level, the more closely its revenue relates to its property wealth. Whether the $682.23 that was Oregon's foundation level in 1973-74 is sufficient for adequate education is not the issue here. The point is that since most school districts in the state spend substantially above that level, relatively wealthy districts can provide more education for less effort than can neighboring districts with less property wealth per pupil.

The failure of the foundation program to equalize school revenue is compounded by the distribution of state aid, through flat grants. A complete analysis of the flat grant system would require consideration of the general impact of income taxes which generate the state aid. Some districts may receive more than they contribute. However, any equalization that results from this reshuffling of tax dollars would be insignificant, since the flat grant constitutes only 19 percent of the average school district's total expenditures.

Essentially the flat grants are nonequalizing. The flat grant does help poor districts reach the minimum program level at the required tax rate, but it does not equalize tax effort, since it is distributed without regard to district wealth. And in some cases (as we will show later) flat grants actually contribute to the wealth advantage of rich districts.

The nonequalizing effect of flat grants can be shown by comparing two districts of differing wealth which are both unable to raise the basic program level at the state-computed rate of $10.76. District D raises $215 per pupil and District E $430 per pupil, yet both receive the same flat grant of $206. District D then receives $261 in equalization funds (682–421) and District E receives $46 in equalization funds (682–636). This situation is shown in figure 3-3. If we reorient the diagram as in figure 3-4, we can see that the only equalization which occurs is provided by the equalization funds. The flat grant merely raises districts' expenditure levels toward the state guarantee; it is neutral in regard to wealth and thus nonequalizing.

Viewing flat grants in this manner strikingly demonstrates how little actual equalization occurs under the present Oregon system. Because every district receives the flat grant amount of $206.31, the equalization provision applies only up to $475.92 (682.23–206.31), which is only 45 percent of the average district's expenditures. The foundation level to which the state guarantees is $682.23, but the level above which wealth advantages may be used is $475.92. In other words, any district which can raise more than $475.92 at the tax rate of $10.76 has a definite advantage over districts which cannot.

This occurs because the effect of the flat grant is different for districts raising more than $475.92 at the state-computed rate. Instead of helping a wealthy district reach the minimum program level, the flat grant actually contributes to the wealth advantage of the district. Figure 3-1 shows how this happens. District A raises $323 per pupil at the state-computed tax rate of $10.76 per $1,000 TCV, receives the flat grant ($206.31) and receives equalization aid to bring it up to the foundation level of $682.23. District B raises $646 per pupil, receives the flat grant, but receives no equalization aid because the flat grant puts it over the foundation level. District C raises $969, which is above the basic program level, yet it also receives the flat grant.

At the same tax rate, the three districts in figure 3-1 do not spend the same amount for each student in school. Furthermore, the amount available above the foundation level in districts B and C is partly due to the flat grants. On

figure 3-3
NON-EQUALIZING EFFECTS OF FLAT GRANTS

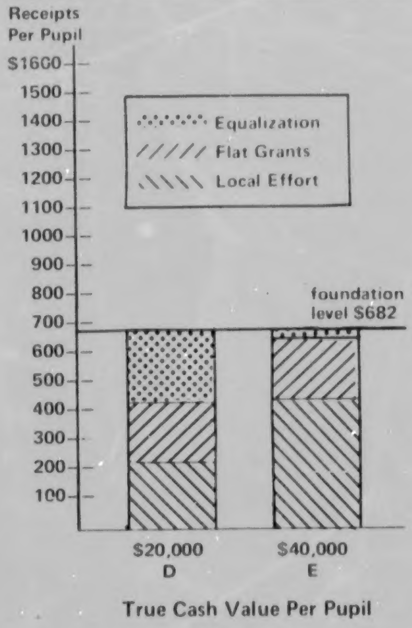
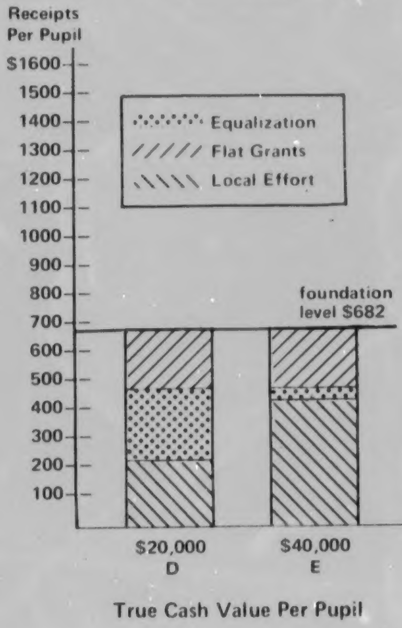


figure 3-4
NON-EQUALIZING EFFECTS OF FLAT GRANTS



the other hand, flat grants do not really help district A, since it is guaranteed $682.23 under the foundation program with or without flat grants. If there were no flat grant, district A would simply get more equalization aid. The flat grant affects neither district A's offering nor its local tax rate.

The situation is different for districts B and C. The flat grant permits district B to spend $852 per pupil, (or $170 above the foundation level) and district C to spend $1,175 per pupil. In district C, the full amount of the flat grant is above the foundation level. In other words, flat grants do not help districts that are eligible for equalization funds, but they do help districts which do not need equalization. Flat grants permit a district like district C to either increase expenditures or reduce local taxes. In the cases of districts B and C, flat grants have clearly anti-equalizing effects, since they help wealthy districts exploit their wealth advantage.

The effects of flat grants can be illustrated if we assume that different districts vary in per pupil property wealth and that the richest districts raise more than the basic program level at the local required rate. Both these assumptions are clearly for Oregon. Figure 3-5 illustrates what happens under these conditions.

Assuming a local tax effort of $10.76, the flat grant of $206.31 reduces the number of districts recieving equalization funds from those with less than $63,404 TCV per pupil to those with less than $44,230 TCV per pupil. In other words, every district with more than $44,230 TCV per pupil can spend above the foundation level because of the flat grant. Districts with more than $63,404 TCV can spend $206.31 per pupil more than they can raise with a $10.76 local tax effort. As the state-computed tax effort increases, the number of districts which receive equalization decreases, and the number of districts which can exploit their wealth advantage increases.

When we consider school districts' ability to tax themselves above the state-computed rate, we get an idea of the total effect of Oregon's current

figure 3-5

DISTRICT RECEIPTS AT $10.76 STATE-COMPUTED TAX EFFORT

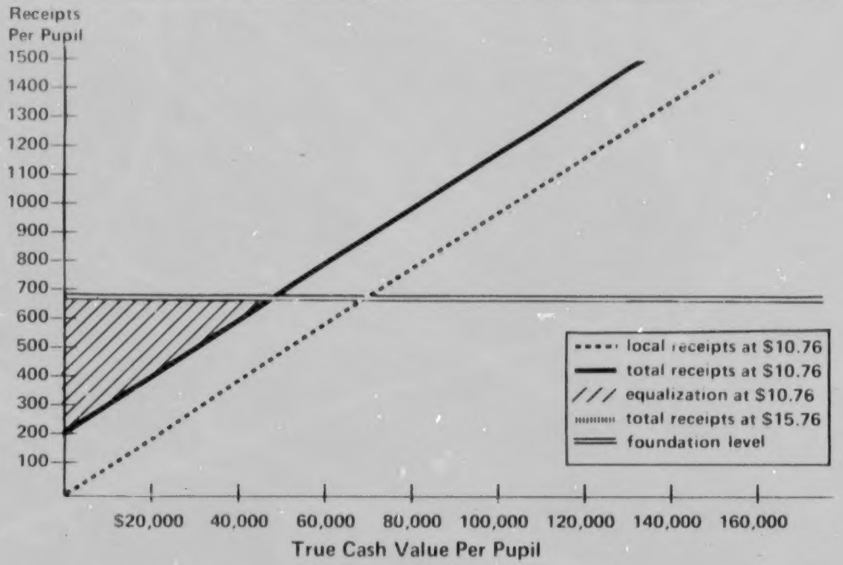
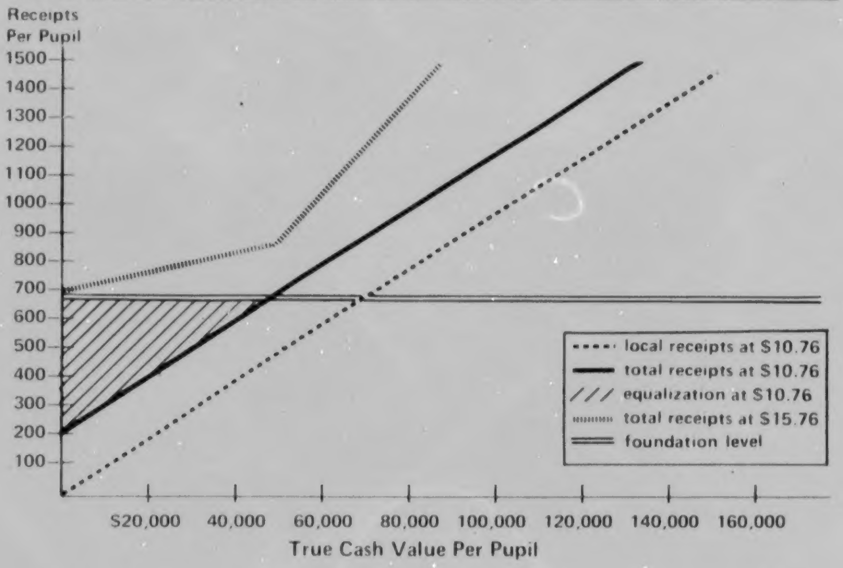


figure 3-6

DISTRICT RECEIPTS AT $15.76 SCHOOL TAX RATE AND $10.76 STATE-COMPUTED TAX EFFORT



school finance system. Again we assume the range of district wealth in figure 3-5. We also assume that all districts tax themselves at a rate $5 above the state-computed rate. The result is shown in figure 3-6. The solid line shows how much districts of different property wealth have to spend at the state-computed tax rate of $10.76. The dashed line shows what they can spend at a $15.76 rate. When districts are free to tax themselves above the required rate the advantage of local property wealth applies even at the lowest levels of district wealth. At any given tax rate above the state-computed rate, a district which has more property wealth than another district can spend more per pupil than the poorer district.

## CONCLUSION

The Oregon system of state school support does not offset the fiscal inequities resulting from reliance on local property taxes. The quality of a child's education is still determined in large part by the wealth of the school district in which he or she lives. In fact, the Oregon foundation program, by distributing most state money as flat grants, increases these inequities for some districts. Thus it is a form of state-created wealth discrimination.

The state now contributes less than one-third of the costs of public school education—leaving the major burden of school support on the local property owner. Because the foundation level which the state guarantees is well below the average district expenditure, the size of most school district budgets depends on property wealth in the district. The level at which the state actually equalizes school tax effort is even lower than the foundation level, since most state aid is in the form of flat grants, which are not related to local wealth. These grants contribute to each district's task of providing education, but they do not contribute substantially to equalization. In some cases, as we have shown, flat grants actually add to the wealth advantage of wealthy districts.

Under the present system, the state says it will guarantee districts expenditures up to the minimum program level, but that no district will receive less than the flat grant amount. The flat grant thus becomes a minimum promise that is really only useful to wealthy districts. It means little to poor districts, since they are guaranteed the basic program level anyway. For wealthy districts, it lessens their already lighter tax burden.

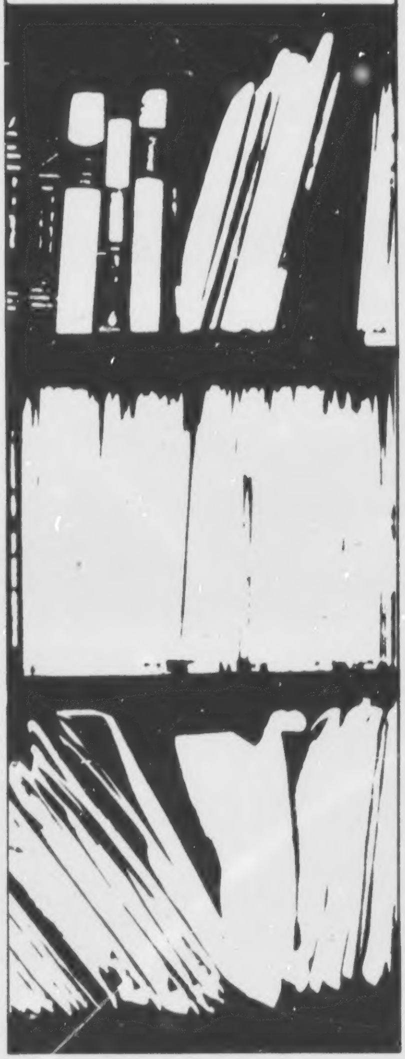
What equalization does exist is minimal. Only 20 percent of the BSSF (after transportation grants) is available for equalization. The amount of equalization that occurs through IED levies is also small. Neither eliminates the great variation in local school districts' abilities to support schools.

As we have shown, the state's goal of equal educational opportunity is not met under the current school finance system in Oregon. Despite several attempts to change the system, it has maintained its basic character since 1946.[17] It is time for reform, and that reform will have to come through a change in the formula rather than a mere increase in state support.

As long as the flat grant system is intact, the state cannot achieve equalization of ability unless massive amounts of state monies are added to school support. Flat grants cannot approach full equalization until the amount of the grant nears 100 percent of the expenditure level for higher-spending districts. Given the political and fiscal constraints in Oregon, this is not likely to happen. Simply increasing the amount of state support by a few percentage points while keeping the flat grant formula will not solve the equity problem. The only way to provide equal educational opportunity is to remove the effects of wealth. And the only way to do that is by putting most of whatever state support exists into equalization of tax effort.

# 4. ALTERNATIVE SCHOOL FINANCE PLANS FOR OREGON

# APPROACHES TO STATE SCHOOL FINANCE REFORM



This chapter presents four alternative school finance plans for Oregon and discusses several alternatives for insuring that school districts which do not participate in the state's equalization program also contribute their share to the support of education throughout the state. We can endorse any one of the first three plans presented. The final plan, the available wealth equalization plan, is included to explore the effects of a "municipal overburden" correction on urban areas which have special school finance problems. However, because the plan would not be fiscally neutral and would have a number of adverse effects on other units of local government, we cannot endorse it as an equitable alternative.

To develop the school finance plans described in this chapter, the research staff investigated various methods which would eliminate the effects of local wealth on a child's education and also meet the other criteria discussed in chapter 2. There are three basic ways of accomplishing these objectives.

The most radical solution is to abolish public schools and provide each child with an educational voucher.[1] The family rather than the state or local school district would then become the major decision maker in planning a child's education. Another possible solution is for the state to assume all or most of the financial burden for schools.[2] Both of these approaches would require substantial increases in state support for schools. Since that is unlikely in Oregon, and since the voters rejected the full state assumption proposal of Governor McCall and the 1973 legislature, these two approaches were ruled out.

The third way to eliminate the effects of local wealth is to equalize the fiscal ability of school districts to support education.[3] Choosing an educational program still would be the prerogative of the school board and voters of each local school district. Equalizing the fiscal ability of school districts, however, would insure that local choices reflect differences of educational taste rather than the advantages of wealth.

The most direct way to equalize the fiscal ability of school districts is to redraw district boundaries so that wealth (measured by whatever measure is selected) is equally distributed among the reconstituted school districts.[4] A great deal of consolidation and unification of school districts has taken place in Oregon since the early part of the century. The number of districts has declined from a high of 2556 in 1919 to 339 today. Further unification could also greatly reduce the wealth variation among districts, particularly since the greatest disparity exists between very small elementary districts.

Nevertheless, it is probably unrealistic from a political standpoint to create school districts of equal wealth per child. In order to do this, districts would have to be quite large. Large districts bring many groups with different educational preferences together, which creates conflict and reduces local choice. Furthermore, district boundaries would have to be changed frequently, as the property wealth of districts changed relative to one another.

The alternative to redistricting is to distribute state resources in such a way that districts are able to provide equivalent amounts of resources per pupil if they exert the same tax effort. The plans developed by the staff of the Oregon School Finance Project which are described here are designed to accomplish this purpose.

One problem in developing plans to equalize the fiscal ability of school districts is choosing appropriate measures of district wealth and tax effort to use in determining the distribution of state equalization aid. The indicators most often chosen are property values per pupil and property tax rates.[5] Alternative measures are personal income per pupil and the proportion of income paid in school taxes. For a number of reasons, property values and property tax rates were selected as the appropriate measures in Oregon.

First, about two-thirds of the costs of public primary and elementary schools in Oregon are currently supported by property taxes.[6] Furthermore, the greatest reason for the disparity in property wealth among school districts is the location of commercial and industrial property in school districts.[7] The only way to get at the value of that property is through the property tax. Second, property is assessed at 100 percent of true cash value in Oregon, and assessments are kept close to market value by state supervised sales ratio surveys. Third, there is increasing evidence that the correlation between income and property wealth is higher than once thought.[8]

Finally and most important, there is no way in Oregon to obtain accurate and current income data by school districts. The income data from the 1970 census which was disaggregated to school districts is considered highly suspect by school finance experts and legislators alike. Furthermore, with inflation the census data are soon out-of-date. State income tax returns do not now permit either the identification of school districts or household income. These data may be available in the future, in which case they should be carefully studied as possible measures for state-wide equalization.

Another problem with school finance equalization formulas is in keeping the formula current in the face of changes in the costs of education and in local fiscal ability. The effects of these two factors are similar but for different reasons.

Expenditures per student are increasing and they will probably continue to do so for two reasons: general inflation, and increases in relative productivity of the private sector of the economy. The first of these reasons is self-explanatory; the second reason requires some explanation. In the economy as a whole, productivity (output per person, or per man-hour) continues to increase. Since labor tends to be paid in proportion to its productivity, the real wages (inflation aside) of the labor force in the private sector tend to increase over time.

In the public sector, which largely produces services instead of products, increases in productivity are much harder to come by. This is because the public sector is labor-intensive, and the increases in productivity in the private sector have been mainly in capital-intensive industries. However, the public sector cannot leave real wages the same (reflecting no increase in productivity) while real wages are increasing in the private sector, unless it wishes to lose skilled labor to the private sector.

As a consequence, the public sector tends to raise the real wages of its employees by roughly the same percentage as they are raised in the private sector. Since there has been no increase in productivity, the net result is an increase in the cost per unit of output. In public education, this is reflected in an increase in the real cost of educating each student.

Most state school finance formulas are designed in such a way that the total cost to the state treasury is limited. To do otherwise would allow the possibility of a raid on the state treasury through the independent actions of local districts. In the case of a foundation formula, the limitation is built in by stipulating the amount of the foundation guarantee and the required local tax rate. For local guaranteed yield plans the open-ended nature of the state commitment is foreclosed by a maximum limit on the amount per student that will be contributed by the state. As average expenditures per student begin to significantly exceed the foundation guarantee or the maximum reimbursement limit, the percentage of state aid decreases with a consequent increase in the percentage from local sources. Since the amount contributed by local sources above the guarantee is unequalized, the result is less equalization.

While there has been a general increase in local fiscal ability (expressed as assessed value per student) in the past, it has not been as persistent a problem as increases in expenditures per student, and has not been given the same attention. However, recent rapid increases in assessed valuation have combined with a downturn in number of students to create a very rapid increase in assessed valuation per student. The result of this is similar to the situation above; the percentage of state money decreases and the percentage of local money increases. It is difficult to tell which of the two causes—increase in expenditures per student or increase in local fiscal ability—is causing the most difficulty at present, but both are a serious cause of obsolescence in state aid formulas.

States have dealt with these two problems in a variety of ways in the past. The most frequent approach is to legislate a formula which implicitly assumes that expenditures and fiscal abilities will not change, and then do nothing until the political pressure gets so great that it is necessary to do something. At this point, the usual response is to increase the foundation guarantee (in a foundation formula plan) or the maximum guarantee (in a local guaranteed yield plan). Alternatively, the state can temporize by instituting various categorical aids. One virtue of increasing the guarantee limit is that all districts spending more than the guarantee (and that is usually most of them) will get more money, which is politically palatable. Categorical aids, on the other hand, may give nothing or only a pittance to many districts. But they can be tailored to aid most of the districts with the most political clout.

As another possibility, the state may, in a foundation program, increase both the foundation guarantee amount and the required local effort. This will have the effect of helping the poorest districts most. The effect on other districts will depend on the changes in guarantee and tax rate. But there is no assurance that some districts will not get less money, so it is usually necessary to institute save-harmless guarantees.[9]

Yet another possibility is to design a formula that will change with the changing times, so that it will be unnecessary to make changes legislatively every year or two. The present Oregon formula which was described in chapter 3 represents a rather sophisticated attempt to do this. In Oregon, the foundation guarantee is kept "up to date" by allowing it to increase as educational expenditures rise. The amount of state aid is independently determined by the legislature each biennium. It is easy to see that the determination of the amount of money to be distributed through the BSSF program is independent of the foundation guarantee so long as the required local tax rate is not fixed. If the amount allocated by the legislature is high, the amount to be distributed for equalization will also be high. The required local tax rate will then be set low, and the equalization aid will be distributed to a lot of districts. If the amount appropriated by the legislature is low, the required local tax rate will be set high, and relatively few districts will get equalization aid.

To say that this method of keeping the formula up to date is sophisticated, though, is not to say that it is equitable. One inequity is that the present adjustment formula requires that the foundation guarantee be 15 percent less than the average expenditure of unified school districts in the state. This guarantees that fewer than 50 percent of the students in the state will live in districts that receive equalization aid. A second stipulation that requires 80 percent of the BSSF (exclusive of transportation aid) to go into flat grants is also clearly disequalizing.[10]

We will now discuss four alternative school finance plans designed to equalize the fiscal ability of school districts and thus provide a more equal educational opportunity for each child in Oregon. In each plan, local property wealth per pupil and local tax rates are used as the indicators of local fiscal ability and local tax effort.

# FOUR SCHOOL FINANCE EQUALIZATION PLANS

The four plans presented in this chapter differ in the extent to which they emphasize different values. The foundation phase-in plan emphasizes continuity with the present system and a gradual equalization of district expenditures; the local guaranteed yield plan places more emphasis on the value of local choice; the total tax effort equalization plan focuses on the need to equalize the total local tax burden in school districts; and the available wealth equalization plan emphasizes the ratio of school taxes to noneducational taxes. All four of the plans are reasonable ways of reforming Oregon's school finance system, although they diverge to varying degrees from a strict interpretation of the fiscal equity standard.

Each plan will be described in general terms, then the impact of each plan will be shown for a sample of 38 Oregon school districts. The first table accompanying each plan indicates the decisions which went into the plan. (A complete description of each decision and the computer simulation is contained in chapter 7.) The other tables provide information on the results of the plan. The column entries for the tables are defined below.

### DEFINITIONS OF TABLE ENTRIES

**1. Present Year Adj TCV Per ADMW**

The total value of taxable property in a district divided by the number of weighted resident pupils.

**2. Weighted ADM Simulated**

The number of pupils in grades K–8 plus 1.3 times the number of pupils in grades 9–12, and an adjustment for enrollment decline.

**3. Tot Oper Tax Rate Sim**

The school tax rate used in the simulation. It is the combined local tax rate needed to maintain 1973-74 total nonfederal receipts under the proposed plan.

**4. Oper Tax Rate Dif**

The difference between the simulated rate and the actual 1973-74 operating rate.

**5. Total State Rcpt Sim Per ADMW**

The sum of state receipts from equalization aid, special grants, transportation, cost of living adjustment, less any reductions resulting from the 15 percent expenditure increase limitation.

**6. Tot Receipts Simulated Per ADMW**
This includes all federal, state, intermediate, and local receipts.

**7. Found Equal Rcpts (or State LGY Equaliz) Sim Per ADMW**
The amount of equalization money provided by the state to bring a district up to the state guarantee.

**8. Instr Categ Rcpt Sim Per ADMW**
The amount of categorical money provided by the state on a weighted per-student basis.

**9. Transport Rcpt Sim Per ADMW**
The amount of transportation money a district receives from the state per pupil for reimbursement of approved costs.

**10. Tot Intermed Receipts Sim Per ADMW**
The sum of regional equalization grants and IED and County School Fund receipts.

**11. Total Local Receipts Sim Per ADMW**
The amount raised locally per pupil from the local schools tax rate.

**12. Total State Rcpt Diff**
The change in total state receipts from 1973-74 resulting from the plan.

**13. U, UH, E** (types of districts)
U = Unified; UH = Union High School; E = Elementary.

All the data in the tables are for the year 1973-74, the last year for which current data is available. The impact of the various plans can be seen best by observing the change in the operating tax rate. The printouts show the local tax rate needed to maintain the level of spendable receipts per pupil under the current system. Therefore, if state receipts go down under the plan, the local operating tax will go up and the change will be positive. If state receipts go up under the plan, the local operating tax rate needed to maintain the same program goes down and the operating tax rate difference will be negative. It is also possible to show the effects of each plan assuming districts maintained the same tax rate, rather than same expenditures, or to show the effects assuming districts adjusted both their tax rates and expenditures. Finally, by using projections of student enrollment and district true cash value, it is possible to show the effects of each plan on every district for each of the next five years.

## Foundation Phase-In Plan

The first plan is called the foundation phase-in plan. It has been designed to eliminate the major weaknesses of the state's current foundation program but without changing the form of the system presently in use. As we will see, however, the steps needed to make the foundation approach a true equalization program change the very nature of the foundation approach.

Before describing the remedy, let us review the problems of the present foundation program which need to be corrected. In 1973-74 the state's foundation level was $682.23, well below the average per-pupil expenditure for the state of $1,058. At the participation rate of $10.76, the state guaranteed per-pupil expenditures of $682.23. Above that level, districts were free to tax their own property to increase their educational offering. In 1973-74, about 75 percent of state resources were distributed in flat grants, 18.7 percent in equalization aid, and the remaining 6.3 percent in categorical grants.

As pointed out in chapter 3, the major problem with the current system is that it fails to equalize the ability of school districts to raise money for schools. Above the foundation level (every district in the state raises more than $682.23 per pupil), property-rich districts can turn out a better offering at every level of local effort than property-poor districts. Furthermore, districts that can raise more than $475.92 (the foundation level $682.23 minus the flat grant $206.31) at the participation rate of $10.76 can exploit their wealth even within the foundation program. In other words, what is produced by a district is related to the wealth of all districts with greater than $44,230 of true cash value per pupil (which is less than the average TCV per pupil in the state). This violates the principle of fiscal neutrality that the quality of a child's education should not be determined by district wealth, but only the wealth of the state as a whole.

A second problem with the current system is that it gives more local control to rich districts than to poor districts. Since property-rich districts can raise substantially more from each tax increase above $10.76, they have greater choice of educational offerings. Property-poor districts tend to have more uniform educational expenditures because of the greater difficulty of raising funds above the minimal level. Educational programs in poor districts are more uniform also, because these districts have less money for experimentation and diversity.[11] Under the present system, local control is a privilege for rich districts and an empty slogan for the poor.

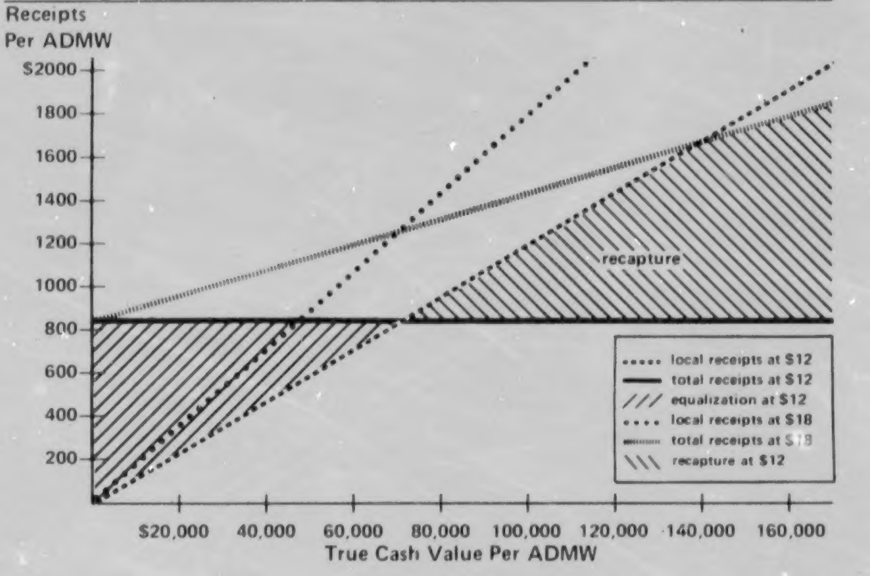
Finally, the present system fails to provide adequate funds to finance the extra costs of children with special educational needs. In 1973-74 only $8 million was allocated for categorical programs, even though estimated excess costs in special education alone are $16 million annually.[12] To provide true equity, the extra costs of special education, compensatory education and occupational education programs should also be included in a state school finance program.

The foundation phase-in program is designed to provide greater equalization by dealing with each of these problems. It does this by eliminating flat grants entirely and using those funds to increase the foundation level. In order to insure that property-rich districts participate in the equalization program at least up to the foundation level, a tax rate of $12 per $1,000 of true cash value would be required of all school districts in the state. If a district raised less than the foundation level with a $12 local tax rate, the difference would be made up with foundation equalization funds. If a district raised more than the foundation with a $12 local tax rate, the amount above the foundation would be returned to the state for redistribution.

Above the foundation level, a district would be free to use its local wealth to improve the quality of its educational offering. To limit the range of school expenditures, however, there would be a limit on how much a district could tax itself for schools. The permissible additional tax would be limited initially to 50 percent of the required local tax rate and then would be reduced gradually.

Figure 4-1 illustrates how a foundation program with this recapture provision would operate. The foundation level is set at $845 per pupil at a minimum tax rate of $12 per $1,000 TCV, with a maximum tax rate of $18. At the minimum $12 local tax rate, a district with $40,000 of true cash value per pupil would raise $480 from local tax and receive the difference between the foundation level of $845 and $480, or $365 in foundation equalization from the state. If the same district chose to increase its tax rate to the maximum of $18, it would raise an additional $240 from local sources for a total of $1,085 per pupil. Another district with $100,000 of TCV per pupil would raise $1,200 per pupil at the minimum rate of $12. It would be required to return to the state $355 and would receive no state equalization money. If it chose to increase its tax rate to the maximum of $18, the property-rich district would raise an additional $600 per pupil, for a total of $1,445 per pupil.

**figure 4-1**
**PER PUPIL RECEIPTS/**
**FOUNDATION PHASE-IN PLAN**



Under this proposal property-rich districts would still be able to spend more than property-poor districts. To reduce this advantage, the foundation level should be increased as fast as state resources permit to a level that will provide every child in Oregon with an adequate education. For 1973-74 this would be at least $1,058 (which is the average expenditure) and probably somewhat higher. Unfortunately, adopting that foundation level immediately would cost the state more money than it has available for school support.

It may be possible to do this over a period of time, however. In California the court gave the legislature six years to equalize educational expenditures.[13] If some phase-in period was legally and politically acceptable, then the advantages of growing property values, increased state income tax receipts, and slowly declining school enrollment could be used to gradually increase the foundation level. At the same time the maximum permissible tax could be reduced. This would gradually reduce expenditure variations among districts throughout the state.

The plan proposed here is to eliminate flat grants and increase the foundation as rapidly as possible for the next five years, or until it reaches a level high enough to guarantee an adequate education. Once that level is achieved, the foundation level will be kept up to date as it is currently. The required tax rate may be either specified or calculated. It would not make much difference, as long as the foundation level is high enough and there is a recapture provision up to the foundation level.

The effect of this program on 38 sample school districts in 1973-74 is shown in tables 4-1 through 4-3. The totals or means and statistical summaries are for the state as a whole.

Under this plan, districts would receive 100 percent of the special education grants they received in 1973-74, as well as compensatory education grants scaled according to the concentration of children from welfare families and reimbursement for 75 percent of their approved 1973-74 transportation costs. The IED equalization levy would be eliminated. The basic decisions on which the plan is based are summarized in table 4-1. Table 4-2 shows the results of the plan, and table 4-3 gives a more detailed breakdown of district receipts.

The foundation phase-in plan has several advantages when compared to the other plans in this chapter. The most important advantage is that it allows the state to determine exactly the level of state expenditures. Under the local guaranteed yield plans the state can only estimate total costs, since the decisions of local districts affect the amount required from the state. Another advantage is that this plan would substantially increase the equity of the present system without changing the form of the current finance formula.

The plan has some draw-backs, however. First, because of the considerable cost of increasing the foundation level, it would take some time to eliminate the effects of local wealth on the quality of a child's education. Second, both the recapture provision and the maximum tax rate provision would probably require changes in the state constitution. Third, the foundation phase-in program substitutes state choice for local choice. In order to reduce the advantages of local wealth, the state would over time equalize both tax effort and school expenditures. This would reduce the diversity of educational programs and the kind of experimentation that would probably be possible under the local guaranteed yield plans.

table 4-1

**FOUNDATION PHASE-IN PLAN: DECISIONS**

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant ($/ADMW) | 0.0 |
| D210 | Foundation Program | Yes |
| D212 | Amount of Foundation ($/ADMW) | 845.00 |
| D215 | Fndn Reqd Local Effort ($/1000) | 12.00 |
| D220 | Local Guaranteed Yield (LGY) | No |
| D222 | LGY Required Local Effort ($/1000) | 0.0 |
| D225 | LGY Amt at Reqd Local Effort ($/ADMW) | 0.0 |
| D228 | LGY Lower Line Rate ($/MILL/ADMW) | 0.0 |
| D231 | LGY Upper Line Rate ($/MILL/ADMW) | 0.0 |
| D234 | LGY Kink Point Tax Rate ($/1000) | 0.0 |
| D237 | LGY Max Allowed Tax Rate ($/1000) | 0.0 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | No |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate ($/1000) | 0.0 |
| D242 | High School Specified Tax Rate ($/1000) | 0.0 |
| D243 | Unified Specified Tax Rate ($/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | 18.00 |
| D247 | Amt Raised by EQ Dists ($/ADMW) | 0.0 |
| D250 | Amt Raised by IED Equalizing ($/ADMW) | 0.0 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified ($/$1000) | 0.0 |
| D301 | Grant for Kindergarten ($/Student) | 0.0 |
| D303 | Grant for Special Students (% of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools ($/Student) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | Yes |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts over 73-74 | Not Used |
| D364 | Use Cherry factor for Portland | No |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-2

## FOUNDATION PHASE-IN PLAN: RESULTS

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 13.09 | 8.07 | –4291.27 | 2825.83 |
| Olex No. 11–U | 183985.90 | 39.22 | 18.00 | 6.36 | –1328.82 | 1776.04 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 13.95 | –1.00 | –508.72 | 1973.45 |
| Sherman UH No. 1 –UH | 1087[illegible]1.04 | 231.40 | 7.20 | 1.97 | –220.33 | 1743.69 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 16.06 | 1.97 | –185.60 | 1418.07 |
| Harper No. 66–U | 69795.57 | 110.50 | 16.28 | –0.63 | 105.65 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 13.47 | –0.18 | 246.87 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 13.51 | 1.02 | 115.25 | 1244.10 |
| Bend No. 1–U | 51026.99 | 6052.00 | 12.87 | –2.15 | 355.11 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 13.43 | –1.49 | 388.41 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 7.36 | –1.23 | 358.35 | 1273.79 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 16.48 | –2.46 | 366.29 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 18.00 | –2.62 | 416.72 | 1475.35 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.92 | –3.27 | 416.48 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 14.28 | –2.92 | 398.53 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 13.13 | –3.79 | 420.14 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 15.64 | –2.53 | 371.93 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 7.20 | 0.30 | 348.16 | 1268.85 |
| Medford No. 549–U | 41992.99 | 10882.59 | 13.27 | –1.99 | 408.71 | 1056.64 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 12.65 | –1.53 | 497.69 | 1125.53 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.96 | –3.49 | 399.77 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 15.61 | –3.61 | 482.20 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 15.60 | –2.86 | 458.69 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 14.68 | 1.72 | 446.89 | 1438.43 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 13.51 | –2.92 | 454.19 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 12.98 | –1.15 | 673.37 | 1539.29 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 12.94 | 2.17 | 436.96 | 1178.42 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 14.79 | –3.43 | 535.11 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 14.82 | –3.10 | 501.09 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 10.48 | –0.72 | 533.89 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 7.63 | 0.85 | 611.96 | 1231.75 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 13.11 | –1.61 | 605.09 | 1194.17 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 17.36 | 0.80 | 582.83 | 1167.14 |
| Scio No. 95C –U | 25369.02 | 923.10 | 12.71 | 2.92 | 619.69 | 1089.65 |
| Reedville No. 29–E | 24810.24 | 875.00 | 5.88 | –1.90 | 639.91 | 1107.45 |
| South Umpqua No. 19 –U | 24564.82 | 2554.00 | 12.74 | 4.16 | 616.77 | 1253.28 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 8.10 | –1.05 | 539.86 | 1074.52 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 9.86 | 0.57 | 641.69 | 1255.75 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 18.00 | 11.40 | 799.35 | 5028.97 |
| 90th %tile | 132135.50 | 3400.00 | 17.06 | 4.14 | 616.77 | 1881.09 |
| 80th %tile | 88677.50 | 1691.90 | 15.57 | 2.30 | 555.16 | 1594.83 |
| Median | 43991.03 | 335.00 | 12.74 | –0.33 | 398.53 | 1268.85 |
| 20th %tile | 32054.02 | 81.40 | 7.69 | –2.15 | –64.62 | 1116.11 |
| 10th %tile | 27907.15 | 38.40 | 6.75 | –3.08 | –469.30 | 1066.53 |
| Low | 16119.33 | 4.92 | 4.91 | –9.16 | –6860.00 | 888.55 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **393.20** | **1270.12** |

table 4-3

FOUNDATION PHASE-IN PLAN: RECEIPTS

| Sample Districts | Found Equal Rcpts Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | –4378.23 | 0.0 | 83.85 | 137.76 | 6979.34 | –36793.50 |
| Olex No. 11–U | –1582.81 | 0.0 | 250.85 | 26.52 | 3078.34 | –68442.63 |
| McKenzie No. 68–U | –682.18 | 63.54 | 105.50 | 59.37 | 2334.22 | –374721.00 |
| Sherman UH No. 1–UH | –341.24 | 9.36 | 108.29 | 13.73 | 1948.17 | –115938.81 |
| Central Linn No. 552–U | –276.91 | 24.22 | 63.59 | 35.22 | 1523.20 | –462888.50 |
| Harper No. 66–U | 31.81 | 0.0 | 70.35 | 11.76 | 1144.99 | –16553.06 |
| Portland No. 1J–U | 104.50 | 121.42 | 16.65 | 22.18 | 951.61 | –1322464.00 |
| Reedsport No. 105–U | 72.99 | 10.10 | 28.67 | 111.11 | 1006.88 | –200614.94 |
| Bend No. 1–U | 309.70 | 12.10 | 30.10 | 31.05 | 769.32 | 752044.81 |
| Parkrose No. 3–U | 349.31 | 16.35 | 18.60 | 14.71 | 736.17 | 696839.06 |
| Klamath Falls No. 1–E | 255.02 | 83.58 | 15.09 | 68.24 | 783.53 | 268771.13 |
| Beaverton No. 48J–U | 327.94 | 10.24 | 24.64 | 8.22 | 890.30 | 2795981.00 |
| Corvallis No. 509J–U | 340.79 | 39.09 | 33.27 | 14.65 | 1021.58 | 987054.19 |
| Eugene No. 4J–U | 362.09 | 39.52 | 11.12 | 59.79 | 771.70 | 3924564.00 |
| Lake Oswego No. 7J–U | 359.09 | 13.87 | 22.07 | 16.70 | 945.31 | 927967.44 |
| Salem No. 24J–U | 361.49 | 34.33 | 20.42 | 28.75 | 722.23 | 3705828.00 |
| Hood River No. 1–U | 301.40 | 18.41 | 48.42 | 75.65 | 927.65 | 441768.25 |
| Burns UH No. 2–UH | 305.45 | 4.62 | 35.80 | 52.94 | 850.30 | 76590.56 |
| Medford No. 549–U | 367.24 | 18.93 | 18.84 | 24.66 | 602.95 | 1508032.00 |
| Oregon City No. 62–U | 451.76 | 15.72 | 27.09 | 13.00 | 601.08 | 1154504.00 |
| Pendleton No. 16R–U | 347.23 | 13.08 | 35.71 | 18.25 | 658.51 | 489164.19 |
| Coos Bay No. 9–U | 400.42 | 43.04 | 35.01 | 23.24 | 666.00 | 1184789.00 |
| Springfield No. 19–U | 399.32 | 32.50 | 23.15 | 59.04 | 676.29 | 2023905.00 |
| Astoria No. 1–U | 395.37 | 21.20 | 26.30 | 12.84 | 930.86 | 309022.88 |
| Ashland No. 5–U | 401.01 | 35.60 | 13.98 | 23.94 | 647.55 | 431387.75 |
| Falls City No. 57–U | 536.61 | 101.31 | 31.68 | 7.80 | 826.01 | 53465.29 |
| Baker No. 5J–U | 384.26 | 25.27 | 23.83 | 36.96 | 666.04 | 414336.13 |
| North Bend No. 13–U | 477.41 | 26.15 | 27.94 | 19.99 | 625.89 | 615933.75 |
| Redmond No. 2J–U | 454.23 | 12.99 | 30.63 | 29.58 | 682.83 | 548828.88 |
| Gresham No. 4–E | 487.05 | 12.78 | 30.84 | 6.47 | 731.68 | 562299.88 |
| Ninety-One No. 91–E | 559.05 | 2.27 | 47.14 | 17.50 | 571.05 | 71054.31 |
| Creswell No. 40–U | 513.55 | 56.70 | 31.07 | 55.86 | 479.59 | 208203.81 |
| Hermiston No. 8–U | 537.85 | 12.12 | 29.74 | 15.01 | 499.61 | 407557.50 |
| Scio No. 95C–U | 537.44 | 31.40 | 47.68 | 35.33 | 386.30 | 183479.25 |
| Reedville No. 29–E | 605.07 | 6.21 | 25.42 | 14.06 | 436.17 | 169400.88 |
| South Umpqua No. 19–U | 555.95 | 27.10 | 30.12 | 114.48 | 424.43 | 439175.31 |
| Oak Grove No. 4–E | 509.01 | 1.09 | 27.00 | 11.04 | 435.12 | 38902.76 |
| Cascade UH No. 5–UH | 571.07 | 24.82 | 42.43 | 14.06 | 545.10 | 237766.19 |
| **ALL DISTRICTS** | | | | | | |
| High | 636.48 | 203.97 | 731.71 | 253.66 | 10058.27 | 3924564.00 |
| 90th %tile | 537.85 | 61.27 | 117.45 | 111.11 | 2270.35 | 495670.63 |
| 80th %tile | 492.91 | 37.56 | 74.20 | 59.04 | 1522.20 | 257867.50 |
| Median | 336.80 | 14.93 | 41.38 | 21.65 | 809.31 | 38902.76 |
| 20th %tile | –155.91 | 0.31 | 26.88 | 13.00 | 536.63 | –24420.98 |
| 10th %tile | –598.66 | 0.0 | 21.48 | 10.10 | 472.88 | –71004.75 |
| Low | –7097.25 | 0.0 | 0.0 | 0.0 | 252.60 | –1322464.00 |
| **Total or Mean** | **320.34** | **39.45** | **29.61** | **31.41** | **806.60** | **51341379.12** |

## Local Guaranteed Yield Plan

The second plan is called the local guaranteed yield plan. Under this plan the state guarantees that districts which make the same school tax effort receive the same number of dollars per pupil. If a school district does not raise the guaranteed amount from its local school tax, the state makes up the difference.

This plan, frequently referred to as a district power equalizing, has the advantage of providing equalization and local control of educational decisions at the same time.[14] One disadvantage is that the state does not know exactly how much state support for schools will cost in any year.

Under a local guaranteed yield program, the state would establish a schedule showing the level of school tax effort required of school districts to be guaranteed various levels of receipts per pupil. The district would then select the level of receipts it desired and the corresponding tax rate, as indicated by the state local guaranteed yield (LGY) schedule. If this tax rate generates less local revenue per student than the state guarantee, the state would make up the difference. It is also possible to require that school districts which raise more than the guaranteed amount at the specified tax rate turn back the surplus to the state for redistribution to poorer districts.[15]

In establishing the LGY schedule, the state would have to consider what is an adequate program and how much money it has available for school support. The more money available, the more it can guarantee at each tax rate. With a recapture provision, however, equalization can be obtained at almost any level of state support.

There are several other choices available to the state. The state may want to set a minimum expenditure level and corresponding minimum tax rate to insure that every child gets an adequate education. In order to protect the state treasury, it might also be desirable to establish a maximum tax rate and expenditure level. Districts can also be encouraged to increase spending up to a point and discouraged from spending beyond that point by the way the local guaranteed yield schedule is constructed.[16] For example, the schedule may be proportional, so that a district which taxes itself at twice the rate of another district is guaranteed twice the level of expenditure. Alternatively, the returns for greater tax effort might vary throughout the schedule, so that low-spending districts are encouraged to spend more and high-spending districts are discouraged from overspending.

If state planners want districts to spend roughly the same amount for each child's education, a kink can be put in the schedule which will encourage districts to spend at or near the kink point. The schedule proposed here has such a kink, so that districts receive proportionately more from a local tax rate between $10 and $16 than from a tax rate between $16 and $22.

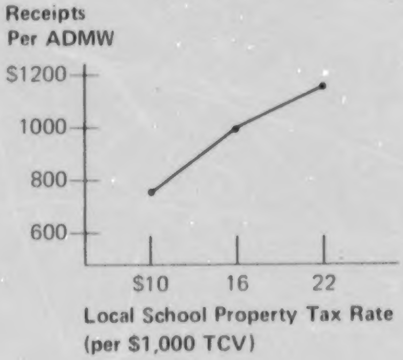
To better demonstrate how the local guaranteed yield plan would work in Oregon, we have designed a plan for 1973-74 which equalizes the fiscal ability of districts and requires approximately the same proportion of state aid as the current system. The results of this plan have been simulated for all 339 school districts in the state. Results for 38 sample school districts are presented in tables 4-4 through 4-6.

The LGY schedule illustrated here requires minimum receipts of $760 per student.[17] In order to participate in the program, a school district must levy a school property tax of $10 per $1,000 of true cash value. A district may increase its revenue per ADMW by $40 for each $1 increase in its tax rate, up to a maximum of $1,000 per ADMW or a tax rate of $16. From that point, the district may further increase per pupil receipts by $25 for each added tax dollar up to $22 or a maximum of $1,150 per ADMW. These receipts and tax rate conditions are summarized in figures 4-2a and 4-2b.

figure 4-2a
**LOCAL GUARANTEED YIELD SCHEDULE**

| Tax rate ($ per $1,000 TCV) | Receipts Per ADMW |
|---|---|
| $10.00 | $ 760 |
| 11.00 | 800 |
| 12.00 | 840 |
| 13.00 | 880 |
| 14.00 | 920 |
| 15.00 | 960 |
| 16.00 | 1,000 |
| 17.00 | 1,025 |
| 18.00 | 1,050 |
| 19.00 | 1,075 |
| 20.00 | 1,100 |
| 21.00 | 1,125 |
| 22.00 | 1,150 |

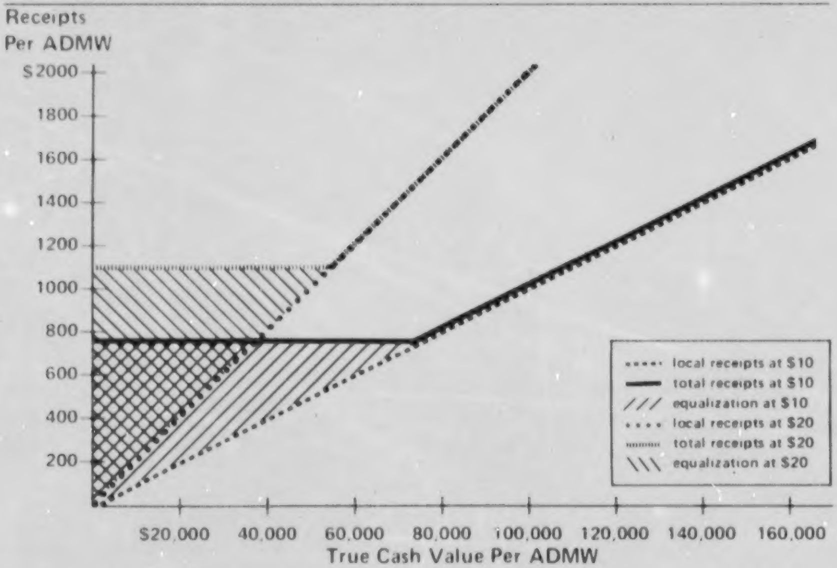
figure 4-2b
**LOCAL GUARANTEED YIELD SCHEDULE**



Under a local guaranteed yield plan such as this, if a district taxes itself at a rate between $10 and $22 but does not have enough taxable property wealth to produce the guaranteed amount, the state makes up the difference. Districts can also tax themselves above the $22 maximum guarantee level but there is no equalization above this point. There is no recapture, so the state does not take any revenue from a district which raises more revenue than is guaranteed at a given tax rate. Figure 4-3 shows the relationship between equalization and local support of this plan.

At a school tax rate of $10, a district with $40,000 of true cash value per pupil would raise $400 from local school tax and receive the difference between the $760 minimum guarantee and $400, or $360, in LGY equalization. If the same district chose to increase its local taxes to $20, it would raise $800 locally and receive $300 in

figure 4-3
PER PUPIL RECEIPTS/
LOCAL GUARANTEED YIELD PLAN



**This plan equalizes receipts up to $76,000 per ADMW at a $10 tax rate, and up to $55,000 at a $20 tax rate.**

LGY equalization. A district with $100,000 of TCV per pupil would raise $1,000 at $10 and receive no state equalization aid. Since there is no recapture provision in this plan (although there could be), this district would be able to spend $240 more at a tax rate of $10 than districts with a TCV per pupil of up to $76,000 (the cut-off point for equalization at $10). If the same district taxed itself at $20 per $1,000 TCV, it would raise $2,000 per student, well above the $1,100 guaranteed by the state.

Under this plan wealthy districts would still be able to spend more than poor districts. The level to which it would equalize expenditures is considerably higher than under the present system, however. In 1973-74 under the current system, districts with more than $44,230 TCV per student could raise more for each dollar of tax than poorer districts. Under the local guaranteed yield plan just described, only districts with more than $76,000 TCV per pupil would enjoy this advantage.

There are three realistic ways of providing for recapture to make the $10 expenditure line horizontal for all levels of district wealth. One method is to have statewide recapture, so that all districts raising more than the guaranteed amount would return the excess to the state. The state presumably would redistribute the recaptured money to poor districts. A second method is to provide recapture at the regional level; a proposal for doing that is outlined later in this chapter. A third procedure (currently used in Oregon) is the intermediate education district equalization levy, which was described in chapter 3. Essentially, if the voters within the IED approve, an amount equal to one-half the operating levies of each school district is collected at the county level and redistributed to the school districts on a per pupil basis. This approach raises money where the property is and sends it where the children are.

To show how the local guaranteed yield program would affect school districts in Oregon, data for 38 sample school districts in 1973-74 are presented in tables 4-4 through 4-6. This plan, like the foundation phase-in plan, is designed so the state will provide, on the average, 32.6% of the total non-federal receipts of local school districts. Special education, compensatory education, and transportation are treated the same as in the foundation plan. Table 4-4 summarizes the decisions on which the analysis is based. Table 4-5 shows the results of the plan, and table 4-6 gives a more detailed breakdown of district receipts.

To keep the LGY schedule up to date, the minimum guarantee and incremental increases for additional tax effort would have to be increased annually in proportion to the increase in educational costs. An analysis based on that assumption allows us to show the predicted results for each plan described in this chapter over the next five years.

The local guaranteed yield plan has the advantage of equalizing the fiscal ability of school districts without disturbing the control of school boards over educational decisions.[19] District lines need not be redrawn, nor is the ultimate power over the quality of education taken away from the local school district. The plan simply equalizes the tax price different districts must pay to obtain the same education program per pupil.

The local guaranteed yield plan has several problems, however.[20] One major problem is choosing an appropriate measure of district fiscal ability and effort from which the state can calculate its equalization aid. In the plan illustrated here, local property wealth per pupil and school tax rate have been used as the indicators of ability and effort. Some analysts believe this discriminates against urban school systems which must support a larger number of noneducational programs with the same wealth base.[21] The next two plans attempt to deal with that complaint.

Another problem with the local guaranteed yield plan is that it may encourage very wealthy districts to withdraw from the public school system or operate their public school system at a minimal level while sending most of their children to private schools.[22] This does not seem likely in Oregon, where there is little history of private primary and secondary education. Nevertheless, if a district now raises $1,500 per pupil at a $5 tax rate and would be required, for example, to tax itself at $20 under the LGY schedule to maintain the same services, the district may decide to close its public schools and operate a private system with tuitions equivalent to the former $5 tax rate. This would save taxpayers in the district $15 per $1,000 of TCV.

Finally, it is not entirely certain that the LGY plan would fulfill the legal requirement that the quality of a child's education not be determined by local wealth.[23] Under this plan wealthy districts may continue to provide high expenditure programs, even though it costs them more to do it. If this happened, would the system be fiscally neutral?

What is certain is that the local guaranteed yield approach comes close to providing equal ability to support programs and maintains local control without requiring massive new amounts of state money. These goals, at least for the present, seem of equal priority in Oregon.

**table 4-4**

**LOCAL GUARANTEED YIELD PLAN: DECISIONS**

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant ($/ADMW) | 0.0 |
| D210 | Foundation Program | No |
| D212 | Amount of Foundation ($/ADMW) | 0.0 |
| D215 | Fndn Reqd Local Effort ($/1000) | 0.0 |
| D220 | Local Guaranteed Yield (LGY) | Yes |
| D222 | LGY Required Local Effort ($/1000) | 10.00 |
| D225 | LGY Amt at Reqd Local Effort ($/ADMW) | 760.00 |
| D228 | LGY Lower Line Rate ($/MILL/ADMW) | 40.00 |
| D231 | LGY Upper Line Rate ($/MILL/ADMW) | 25.00 |
| D234 | LGY Kink Point Tax Rate ($/1000) | 16.00 |
| D237 | LGY Max Allowed Tax Rate ($/1000) | 22.00 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | Yes |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate ($/1000) | 0.0 |
| D242 | High School Specified Tax Rate ($/1000) | 0.0 |
| D243 | Unified Specified Tax Rate ($/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | No |
| D247 | Amt Raised by Eq Dists ($/ADMW) | 0.0 |
| D250 | Amt Raised by IED Equalizing ($/ADMW) | 0.0 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified ($/$1000) | 0.0 |
| D301 | Grant for Kindergarten ($/Student) | 0.0 |
| D303 | Grant for Special Students (% of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools ($/Stud) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year Used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | No |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts Over 73-74 | Not Used |
| D364 | Use Cherry factor for Portland | No |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-5

## LOCAL GUARANTEED YIELD PLAN: RESULTS

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 4.03 | −0.99 | 86.96 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 9.74 | −1.90 | 253.99 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 9.97 | −4.98 | 173.46 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 6.28 | 1.05 | 120.91 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 13.06 | −1.03 | 91.32 | 1418.07 |
| Harper No. 66–U | 69795.57 | 110.50 | 16.74 | −0.17 | 73.83 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 13.87 | 0.22 | 220.18 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 13.95 | 1.46 | 85.50 | 1244.11 |
| Bend No. 1–U | 51026.99 | 6052.00 | 13.00 | −2.02 | 348.27 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 13.55 | −1.37 | 382.74 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 7.10 | −1.49 | 355.66 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 16.84 | −2.10 | 349.03 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 20.91 | 0.29 | 341.12 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 16.02 | −3.17 | 411.69 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 14.37 | −2.83 | 394.34 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 13.24 | −3.68 | 415.35 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 15.74 | −2.43 | 367.36 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 8.59 | 1.69 | 292.16 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 12.50 | −2.76 | 402.47 | 10177.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 10.76 | −3.42 | 477.42 | 1026.58 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 15.07 | −3.38 | 395.38 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 15.52 | −3.70 | 485.47 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 15.51 | −2.95 | 462.22 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 14.75 | 1.79 | 444.23 | 1438.43 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 13.60 | −2.83 | 450.64 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 10.98 | −3.15 | 639.14 | 1428.84 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 10.94 | 0.17 | 424.07 | 1091.22 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 14.52 | −3.70 | 544.90 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 14.40 | −3.52 | 516.11 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 9.92 | −1.28 | 566.72 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 6.43 | −0.35 | 572.78 | 1128.13 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 12.72 | −2.00 | 593.73 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 16.07 | −0.49 | 617.13 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 10.71 | 0.92 | 581.01 | 1000.31 |
| Reedville No. 29–E | 24810.24 | 875.00 | 5.16 | −2.62 | 602.28 | 1029.89 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 10.74 | 2.16 | 571.96 | 1159.33 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 7.27 | −1.88 | 592.21 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 8.67 | −0.62 | 692.76 | 1255.74 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 25.70 | 12.92 | 892.29 | 5145.88 |
| 90th %tile | 132135.50 | 3400.00 | 16.50 | 1.89 | 596.89 | 1973.46 |
| 80th %tile | 88677.50 | 1691.90 | 14.37 | 0.88 | 548.81 | 1639.86 |
| Median | 43991.03 | 335.00 | 10.30 | −1.09 | 404.28 | 1243.72 |
| 20th %tile | 32054.02 | 81.40 | 6.54 | −2.61 | 122.95 | 1077.79 |
| 10th %tile | 27907.15 | 38.40 | 5.39 | −3.38 | 80.19 | 1013.96 |
| Low | 16119.33 | 4.92 | 3.16 | −9.14 | 24.61 | 815.40 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **392.96** | **1248.82** |

table 4-6

## LOCAL GUARANTEED YIELD PLAN: RECEIPTS

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 83.85 | 137.76 | 2601.12 | –1548.77 |
| Olex No. 11–U | 0.0 | 0.0 | 250.85 | 26.52 | 1559.14 | –6364.83 |
| McKenzie No. 68–U | 0.0 | 63.54 | 105.50 | 59.37 | 1652.04 | –46559.45 |
| Sherman UH No. 1–UH | 0.0 | 9.36 | 108.29 | 13.73 | 1696.87 | –36976.75 |
| Central Linn No. 552–U | 0.0 | 24.22 | 63.59 | 35.22 | 1246.29 | –162299.56 |
| Harper No. 66–U | 0.0 | 0.0 | 70.35 | 11.76 | 1176.80 | –20068.56 |
| Portland No. 1J–U | 77.81 | 121.42 | 16.65 | 22.18 | 978.30 | –3198272.00 |
| Reedsport No. 105–U | 43.24 | 10.10 | 28.67 | 111.11 | 1036.63 | –250947.94 |
| Bend No. 1–U | 302.86 | 12.10 | 30.10 | 31.05 | 776.16 | 71645.81 |
| Parkrose No. 3–U | 343.64 | 16.35 | 18.60 | 14.71 | 741.84 | 664260.06 |
| Klamath Falls No. 1–E | 252.33 | 83.58 | 15.09 | 68.24 | 762.47 | 263056.13 |
| Beaverton No. 48J–U | 310.69 | 10.24 | 24.64 | 8.22 | 907.56 | 2418119.00 |
| Corvallis No. 509J–U | 265.18 | 39.09 | 33.27 | 14.65 | 1153.13 | 374769.19 |
| Eugene No. 4J–U | 357.30 | 39.52 | 11.12 | 59.79 | 776.49 | 3817800.00 |
| Lake Oswego No. 7J–U | 354.90 | 13.87 | 22.07 | 16.70 | 949.50 | 898369.44 |
| Salem No. 24J–U | 356.71 | 34.33 | 20.42 | 28.75 | 727.01 | 3588639.00 |
| Hood River No. 1–U | 296.83 | 18.41 | 48.42 | 75.65 | 932.22 | 425925.25 |
| Burns UH No. 2–UH | 249.45 | 4.62 | 35.80 | 52.94 | 997.17 | 39973.96 |
| Medford No. 549–U | 360.99 | 18.93 | 18.84 | 24.66 | 570.53 | 1440070.00 |
| Oregon City No. 62–U | 431.49 | 15.72 | 27.09 | 13.00 | 522.40 | 1021959.44 |
| Pendleton No. 16R–U | 342.84 | 13.08 | 35.71 | 18.25 | 662.90 | 471577.19 |
| Coos Bay No. 9–U | 403.69 | 43.04 | 35.01 | 23.24 | 662.73 | 1206306.00 |
| Springfield No. 19–U | 402.86 | 32.50 | 23.15 | 59.04 | 672.75 | 2062389.00 |
| Astoria No. 1–U | 392.71 | 21.20 | 26.30 | 12.84 | 933.52 | 303119.44 |
| Ashland No. 5–U | 397.47 | 35.60 | 13.98 | 23.94 | 651.09 | 419922.75 |
| Falls City No. 57–U | 502.38 | 101.31 | 31.68 | 7.80 | 749.79 | 46003.25 |
| Baker No. 5J–U | 371.36 | 25.27 | 23.83 | 36.96 | 591.73 | 374543.13 |
| North Bend No. 13–U | 487.21 | 26.15 | 27.94 | 19.99 | 616.10 | 652669.75 |
| Redmond No. 2J–U | 469.25 | 12.99 | 30.63 | 29.58 | 667.81 | 599598.88 |
| Gresham No. 4–E | 519.89 | 12.78 | 30.84 | 6.47 | 698.84 | 673932.88 |
| Ninety-One No. 91–E | 519.88 | 2.27 | 47.14 | 17.50 | 506.59 | 55384.36 |
| Creswell No. 40–U | 502.19 | 56.70 | 31.07 | 55.86 | 467.59 | 195794.50 |
| Hermiston No. 8–U | 572.15 | 12.12 | 29.74 | 15.01 | 465.31 | 503295.38 |
| Scio No. 95C–U | 498.76 | 31.40 | 47.68 | 35.33 | 335.63 | 147776.94 |
| Reedville No. 29–E | 567.44 | 6.21 | 25.42 | 14.06 | 396.24 | 136477.31 |
| South Umpqua No. 19–U | 511.13 | 27.10 | 30.12 | 114.48 | 375.30 | 324711.63 |
| Oak Grove No. 4–E | 561.37 | 1.09 | 27.00 | 11.04 | 391.11 | 49373.11 |
| Cascade UH No. 5–UH | 622.14 | 24.82 | 42.43 | 14.06 | 494.03 | 305689.56 |
| **ALL DISTRICTS** | | | | | | |
| High | 746.49 | 203.97 | 731.71 | 253.66 | 4540.11 | 3817800.00 |
| 90th %tile | 525.24 | 61.27 | 117.45 | 111.11 | 1652.04 | 477596.00 |
| 80th %tile | 480.45 | 37.56 | 74.20 | 59.04 | 1394.64 | 249040.75 |
| Median | 332.63 | 14.93 | 41.38 | 21.65 | 782.11 | 34905.90 |
| 20th %tile | 0.0 | 0.31 | 26.88 | 13.00 | 499.55 | –10325.83 |
| 10th %tile | 0.0 | 0.0 | 21.48 | 10.10 | 441.72 | –36287.72 |
| Low | 0.0 | 0.0 | 0.0 | 0.0 | 244.13 | –3198272.00 |
| **Total or Mean** | **320.10** | **39.45** | **29.61** | **31.41** | **785.55** | **51216940.08** |

## Total Tax Effort Equalization Plan

One problem that affects school finance reform in Oregon and in many other states is the likely effect of greater state equalization on urban school systems. Central cities frequently have high property wealth per student, high costs, low school tax rates, high noneducational costs and a low percentage of voters with children in the public schools. This latter fact probably accounts for the unwillingness of urban voters to tax themselves as heavily as suburban voters. The inability of urban school districts to raise money for schools locally has been partially offset by state grants, usually in the form of flat grants and categorical grants. State finance systems which equalize fiscal ability however tend to reduce state receipts to urban areas.

Many analysts wonder whether urban school districts can survive the loss of state funding that might result from greater equalization.[24] Once the showcase of American education, urban school districts are now on the brink of failure. Many students graduating from high school are unable to read above grade-school level. Many families move out to better suburban school districts when their children reach high school age. Those students that remain frequently leave school early or cannot find jobs when they graduate.

Part of the problem is financial. When cities are faced with competing demands for public services and contain few people who care about education, school districts suffer. The financial problems of urban schools are complex, but seem to fall into four general areas: higher costs, greater need, higher noneducational taxes and discriminatory state aid systems.[25] The first problem is that it simply costs more to provide similar educational services in urban school districts than in suburban and rural school districts. Comparisons of per pupil expenditures hide the fact that the higher cost of land, buildings, teacher salaries, and maintenance means that you buy less educational service per dollar in cities than elsewhere.

A second problem is the relatively large number of urban school children requiring expensive special educational programs.[26] Cities seem to attract large numbers of poor and disadvantaged families whose children need compensatory programs in order to fully utilize the regular education programs of the schools.[27] And because of these families, the demand for expensive vocational education programs is often greater in the cities than in the suburbs, where most children opt for college preparatory programs. The number of children with handicaps is also greater in urban areas. Compensatory education, vocational education and special education all cost more than the regular education program, and these costs seem to be concentrated in the cities.

A third problem arises from competing demands for noneducational services. This is frequently called "municipal overburden" or "the noneducational local tax burden."[28] The presumption is that higher per-capita noneducational expenditures means there are fewer dollars available for education.

Finally, urban school systems have frequently suffered under state school aid systems that often favor nonurban areas. Even at best, states seldom help urban schools meet the special needs of students requiring relatively high-cost programs.

There are two general ways to respond to these problems. One response is to provide extra state money to directly cover the higher cost of educational programs in the cities. The next chapter discusses a number of recommendations for adjusting state equalization aid to meet important educational needs. The second response is to adjust either the measure of fiscal ability or the measure of local effort used in calculating state equalization aid.

The total tax effort equalization plan adjusts the *measure of local effort* by equalizing the *total tax effort* in a school district rather than the *school tax effort*. This plan computes a total tax rate for each school district and uses it both to establish the guaranteed yield schedule and to compute state equalization.

Basically the total tax effort equalization plan is a local guaranteed yield plan, like the one just presented, except it is based on the total tax rate. Districts are guaranteed $620 per ADMW at a total tax rate of $5 per $1,000 of true cash value. The guarantee increases by $20 for each additional dollar of total tax rate up to a maximum of $1,220 at a total tax rate of $35.

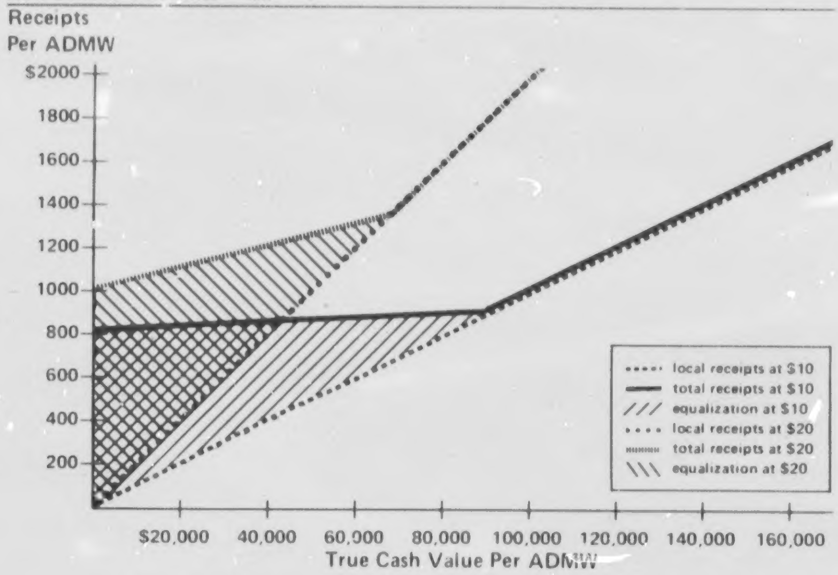
The amount a district receives in state equalization aid is the guaranteed amount times ADMW minus 60 percent of the total tax rate times true cash value, minus federal impact aid, minus federal forest fees. Sixty percent is used because school taxes are roughly 60 percent of total taxes on the average. The following diagram illustrates how the state aid to districts would be determined:

The guaranteed amount for total tax rate x ADMW
—minus—
60 percent of the previous year's total tax rate x previous year's true cash value
—minus—
Other local offsets
—equals—
State equalization to the district

The actual amount a district would have to spend might be above or below the guarantee, depending mainly on whether a district's school tax rate was more or less than 60 percent of the total tax rate. Districts in which school taxes are less than 60 percent of total taxes could spend more than the guaranteed amount. The amount a district could spend would be the sum of state equalization, plus state grants for transportation and other categorical programs, plus the amount raised by multiplying the current year's school tax rate by the district's true cash value, plus other federal and local receipts.

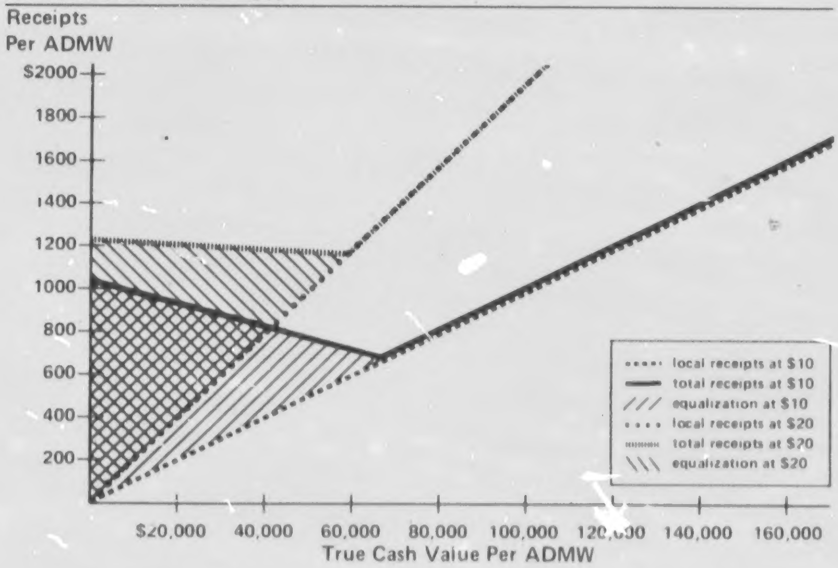
Under this plan the local guaranteed yield schedule runs from $5 to $35. If a district has a total tax rate between $5 and $35, but does not have enough taxable property wealth to produce the guaranteed amount, the state makes up the difference between the guarantee and 60 percent of TCV multiplied by the total tax rate. Districts can also have total tax rates above the $35 maximum

figure 4-4
PER PUPIL RECEIPTS/TOTAL TAX EFFORT EQUALIZATION PLAN
Non-School Tax Rate = $5



**This plan equalizes receipts up to $91,111 per ADMW at a $10 tax rate, and up to $68,000 at a $20 tax rate.**

figure 4-5
PER PUPIL RECEIPTS/TOTAL TAX EFFORT EQUALIZATION PLAN
Non-School Tax Rate = $15



**This plan equalizes receipts up to $68,000 per ADMW at a $10 tax rate, and up to $58,095 at a $20 tax rate.**

guarantee level, but there is no equalization above this point.

Figure 4-4 shows the effects of this plan when the nonschool tax rate is $5 and the school tax rate is $10 or $20.

Under this plan a school district with a $10 school tax rate and a $15 total tax rate with $40,000 of true cash value per pupil would raise $400 from the local school tax. This district would receive from the state the difference between the guaranteed amount of $820 and 60 percent of the total tax rate times TCV (.6x$15x40,000x.001= $360), or $460 in LGY equalization ($820–$360=$460), for a total expenditure of $860 ($400+$460=$860). If the same district raised its school tax rate to $20, so that its total tax rate was $25, it would raise $800 locally and receive $420 in LGY equalization for total expenditure of $1,220. A district with $100,000 of TCV per pupil would raise $1,000 at $10 and receive no state equalization. At $20 the same district would raise $2,000 locally, well above the $1,020 guaranteed by the LGY schedule. Again it would receive no equalization aid.

If the noneducational tax rate is much higher, a somewhat different situation occurs. Figure 4-5 shows the effect of this plan when the nonschool tax rate is $15 and the school tax rate is $10 or $20.

The district with $40,000 of TCV per pupil, local school tax of $10, and a total tax of $25 still raises $400 from local school tax but is now guaranteed $1,020 by the state, rather than the guaranteed $820 when its noneducational tax rate was only $5. The amount it receives from the state then is $1,020 – (.6x.25x40,000x.001) or $1,020–$600=$420. Total expenditures for the district would be $820, ($400+$420=$820), or $40 less than when its noneducational tax rate was only $5. At a $20 school tax rate, the same district would have a state guarantee of $1,220, local receipts of $800, state receipts of $380, and total expenditures of $1,180.

A district with $100,000 TCV per pupil with a $10 local school tax and a total tax rate of $25 would have a state guarantee of \$1,020, local receipts of \$1,000, no state receipts and a total expenditure of \$1,000, the same as it had with the lower nonschool tax rate. At a school tax rate of \$20 and a total tax rate of \$35, the rich district would have a guarantee of \$1,220, local receipts of \$2,000, no state equalization, and total expenditures of \$2,000.

The interesting thing to observe in figure 4-5 is that up to the equalization cut-off point of \$68,000 for a \$10 school tax rate, the richer the district the less it could spend per pupil. This is because the local return a district would receive using 60 percent of its total tax rate rises faster as wealth increases than does the actual local yield from school tax.

A major difficulty with this approach is that it encourages all units of local governments to increase costs. In other words, it pays to be inefficient.

Tables 4-7 through 4-9 summarize the effects of this plan on the 38 sample school districts for 1973-74. The decisions on which the analysis is based are summarized in table 4-7. Table 4-8 provides general results of the plan, and table 4-9 provides specific data on district receipts.

To summarize, this is a local guaranteed yield plan based on total tax rate instead of school tax rate. Districts are guaranteed \$620 per ADMW at a total tax rate of \$5. The guarantee increases \$20 per \$1 of total tax rate to a maximum of \$1,220 at a total tax rate of \$35. The amount provided by the state to the district is the difference between the guarantee times the ADMW and 60 percent of the total tax rate multiplied by last year's TCV. Federal impact aid, federal forest fees, and common school fund receipts are subtracted from state equalization. Allowances for transportation, special education, and compensatory education are handled as in the other plans.

table 4-7

**TOTAL TAX EFFORT EQUALIZATION PLAN: DECISIONS**

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant (\$/ADMW) | 0.0 |
| D210 | Foundation Program | No |
| D212 | Amount of Foundation (\$/ADMW) | 0.0 |
| D215 | Fndn Reqd Local Effort (\$/1000) | 0.0 |
| D220 | Local Guaranteed Yield (LGY) | Yes |
| D222 | LGY Required Local Effort (\$/1000) | 5.00 |
| D225 | LGY Amt at Reqd Local Effort (\$/ADMW) | 620.00 |
| D228 | LGY Lower Line Rate (\$/MILL/ADMW) | 20.00 |
| D231 | LGY Upper Line Rate (\$/MILL/ADMW) | 20.00 |
| D243 | LGY Kink Point Tax Rate (\$/1000) | 25.00 |
| D237 | LGY Max Allowed Tax Rate (\$/1000) | 35.00 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | Yes |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate (\$/1000) | 0.0 |
| D242 | High School Specified Tax Rate (\$/1000) | 0.0 |
| D243 | Unified Specified Tax Rate (\$/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | No |
| D247 | Amt Raised by Eq Dists (\$/ADMW) | 0.0 |
| D250 | Amt Raised by IED Equalizing (\$/ADMW) | 0.0 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified (\$/\$1000) | 0.0 |
| D301 | Grant for Kindergarten (\$/Student) | 0.0 |
| D303 | Grant for Special Students (% of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools (\$/Stud) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year Used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | No |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts Over 73-74 | Not Used |
| D364 | Use Cherry factor for Portland | No |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-8

## TOTAL TAX EFFORT EQUALIZATION PLAN: RESULTS

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 4.03 | –0.99 | 86.96 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 9.74 | –1.90 | 253.99 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 9.97 | –4.98 | 173.46 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 6.28 | 1.05 | 120.91 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 13.06 | –1.03 | 91.32 | 1418.07 |
| Harper No. 66–U | 69795.57 | 110.50 | 15.75 | –1.16 | 142.96 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 14.15 | 0.50 | 200.66 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 12.42 | –0.07 | 187.97 | 1244.10 |
| Bend No. 1–U | 51026.99 | 6052.00 | 11.60 | –3.42 | 419.87 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 12.49 | –2.43 | 436.18 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 10.26 | 1.67 | 103.33 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 15.84 | –3.10 | 396.48 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 18.57 | –2.05 | 446.88 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.16 | –4.03 | 450.12 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 13.24 | –3.96 | 444.12 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 12.22 | –4.70 | 459.29 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 14.34 | –3.83 | 427.35 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 10.96 | 4.06 | 42.71 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 10.71 | –4.55 | 477.41 | 1017.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 8.37 | –5.81 | 576.57 | 1026.58 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.08 | –4.37 | 436.07 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 14.14 | –5.08 | 541.47 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 14.05 | –4.41 | 519.94 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 13.32 | 0.36 | 500.02 | 1438.44 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 11.61 | –4.82 | 527.12 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 6.84 | –7.29 | 748.99 | 1380.86 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 7.79 | –2.98 | 508.96 | 1059.18 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 12.32 | –5.90 | 625.88 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 12.42 | –5.50 | 587.87 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 14.75 | 3.55 | 281.67 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 6.31 | –0.47 | 509.66 | 1058.38 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 9.94 | –4.78 | 679.06 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 12.54 | –4.02 | 710.60 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 7.50 | –2.29 | 662.45 | 1000.31 |
| Reedville No. 29–E | 24810.24 | 875.00 | 8.98 | 1.20 | 391.55 | 1029.89 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 6.26 | –2.32 | 662.14 | 1139.52 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 12.69 | 3.54 | 304.34 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 13.51 | 4.22 | 484.81 | 1255.75 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 23.71 | 12.92 | 769.24 | 5145.88 |
| 90th %tile | 132135.50 | 3400.00 | 15.43 | 3.21 | 613.04 | 1939.28 |
| 80th %tile | 88677.50 | 1691.90 | 13.67 | 2.01 | 527.12 | 1639.11 |
| Median | 43991.03 | 335.00 | 10.15 | –0.62 | 325.99 | 1234.17 |
| 20th %tile | 32054.02 | 81.40 | 7.39 | –4.27 | 102.57 | 1052.24 |
| 10th %tile | 27907.15 | 38.40 | 6.18 | –5.50 | 68.96 | 993.82 |
| Low | 16119.33 | 4.92 | 1.55 | –12.39 | 4.45 | 691.21 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **396.33** | **1239.17** |

table 4-9

## TOTAL TAX EFFORT EQUALIZATION PLAN: RECEIPTS

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 83.85 | 137.76 | 2601.12 | –1548.77 |
| Olex No. 11–U | 0.0 | 0.0 | 250.85 | 26.52 | 1559.13 | –6364.83 |
| McKenzie No. 68–U | 0.0 | 63.54 | 105.50 | 59.37 | 1652.04 | –46559.45 |
| Sherman UH No. 1–UH | 0.0 | 9.36 | 108.29 | 13.73 | 1696.87 | –36976.75 |
| Central Linn No. 552–U | 0.0 | 24.22 | 63.59 | 35.22 | 1246.29 | –162299.56 |
| Harper No. 66–U | 69.12 | 0.0 | 70.35 | 11.76 | 1107.68 | –12430.56 |
| Portland No. 1J–U | 58.30 | 121.42 | 16.65 | 22.18 | 997.81 | –4570048.00 |
| Reedsport No. 105–U | 145.71 | 10.10 | 28.67 | 111.11 | 934.15 | –77576.94 |
| Bend No. 1–U | 374.46 | 12.10 | 30.10 | 31.05 | 704.56 | 1143955.00 |
| Parkrose No. 3–U | 397.08 | 16.35 | 18.60 | 14.71 | 688.40 | 971301.06 |
| Klamath Falls No. 1–E | 0.0 | 83.58 | 15.09 | 68.24 | 1014.80 | –273154.88 |
| Beaverton No. 48J–U | 358.13 | 10.24 | 24.64 | 8.22 | 860.11 | 3457020.00 |
| Corvallis No. 509J–U | 370.95 | 39.09 | 33.27 | 14.65 | 1047.37 | 1231258.00 |
| Eugene No. 4J–U | 395.73 | 39.52 | 11.12 | 59.79 | 738.06 | 4673357.00 |
| Lake Oswego No. 7J–U | 404.69 | 13.87 | 22.07 | 16.70 | 899.72 | 1250162.00 |
| Salem No. 24J–U | 400.65 | 34.33 | 20.42 | 28.75 | 683.07 | 4664893.00 |
| Hood River No. 1–U | 356.82 | 18.41 | 48.42 | 75.65 | 872.23 | 633803.25 |
| Burns UH No. 2–UH | 0.0 | 4.62 | 35.80 | 52.94 | 1246.62 | –123140.00 |
| Medford No. 549–U | 435.93 | 18.93 | 18.84 | 24.66 | 495.60 | 2255585.00 |
| Oregon City No. 62–U | 530.65 | 15.72 | 27.09 | 13.00 | 423.24 | 1670309.00 |
| Pendleton No. 16R–U | 383.53 | 13.08 | 35.71 | 18.25 | 622.21 | 634636.19 |
| Coos Bay No. 9–U | 459.70 | 43.04 | 35.01 | 23.24 | 606.73 | 1575071.00 |
| Springfield No. 19–U | 460.58 | 32.50 | 23.15 | 59.04 | 615.03 | 2690951.00 |
| Astoria No. 1–U | 448.50 | 21.20 | 26.30 | 12.84 | 877.73 | 426970.44 |
| Ashland No. 5–U | 473.94 | 35.60 | 13.98 | 23.94 | 574.61 | 667326.75 |
| Falls City No. 57–U | 612.23 | 101.31 | 31.68 | 7.80 | 591.96 | 69950.31 |
| Baker No. 5J–U | 456.25 | 25.27 | 23.83 | 36.96 | 474.80 | 636541.13 |
| North Bend No. 13–U | 568.19 | 26.15 | 27.94 | 19.99 | 535.11 | 956459.75 |
| Redmond No. 2J–U | 541.01 | 12.99 | 30.63 | 29.58 | 596.05 | 842185.88 |
| Gresham No. 4–E | 234.83 | 12.78 | 30.84 | 6.47 | 983.90 | –295259.13 |
| Ninety-One No. 91–E | 456.75 | 2.27 | 47.14 | 17.50 | 499.97 | 30134.30 |
| Creswell No. 40–U | 587.51 | 56.70 | 31.07 | 55.86 | 382.27 | 289001.94 |
| Hermiston No. 8–U | 665.62 | 12.12 | 29.74 | 15.01 | 371.84 | 764149.50 |
| Scio No. 95C–U | 580.21 | 31.40 | 47.68 | 35.33 | 254.18 | 222957.19 |
| Reedville No. 29–E | 356.71 | 6.21 | 25.42 | 14.06 | 606.98 | –47916.65 |
| South Umpqua No. 19–U | 601.31 | 27.10 | 30.12 | 114.48 | 265.31 | 555035.63 |
| Oak Grove No. 4–E | 273.50 | 1.09 | 27.00 | 11.04 | 678.98 | –8200.86 |
| Cascade UH No. 5–UH | 414.19 | 24.82 | 42.43 | 14.06 | 701.99 | 29114.22 |
| **ALL DISTRICTS** | | | | | | |
| High | 674.65 | 203.97 | 731.71 | 253.66 | 4540.11 | 4673357.00 |
| 90th %tile | 535.41 | 61.27 | 117.45 | 111.11 | 1645.62 | 634636.19 |
| 80th %tile | 459.70 | 37.56 | 74.20 | 59.04 | 1387.68 | 274407.00 |
| Median | 234.83 | 14.93 | 41.38 | 21.65 | 858.25 | 1346.22 |
| 20th %tile | 0.0 | 0.31 | 26.88 | 13.00 | 520.29 | –25485.44 |
| 10th %tile | 0.0 | 0.0 | 21.48 | 10.10 | 427.00 | –77576.94 |
| Low | 0.0 | 0.0 | 0.0 | 0.0 | 188.17 | –4570048.00 |
| **Total or Mean** | **323.47** | **39.45** | **29.61** | **31.41** | **772.53** | **52956718.06** |

## Available Wealth Equalization Plan

Whereas the total tax effort equalization plan adjusted the measure of tax effort used in computing state equalization, the available wealth equalization plan adjusts the measure of district wealth used in the state equalization formula.

It is frequently argued that one reason urban school districts have more difficulty getting the public to approve educational budgets is that cities are overburdened with high noneducational public expenditures. Merely equalizing total wealth takes no account of the other public needs financed by taxes on the same property valuation base. One possible approach is to consider only that portion of local property wealth that is actually available for the support of schools. In other words, if 50 percent of local taxes is used for schools, the district's property wealth should be discounted by 50 percent when computing state equalization.

In response to the municipal overburden problem, we have designed a local guaranteed yield plan which includes the ratio of the school tax rate to the total tax rate in the calculation of state equalization.

Under this plan the state would guarantee $770 per ADMW at a school tax rate of $10 per $1,000 of true cash value. Districts would receive an additional $40 for each $1 of tax up to $16, and $25 for each $1 of tax from $16 to a maximum of $22. Districts would be permitted to tax above $22 without recapture.

The amount a district would receive from the state is the difference between the guaranteed amount and the amount computed by multiplying the district's true cash value by an adjustment factor. This factor is the ratio of school taxes to total taxes, multiplied by 1.5 (to keep this plan from costing too much state money). State equalization aid would be calculated as follows:

The guaranteed amount times ADMW

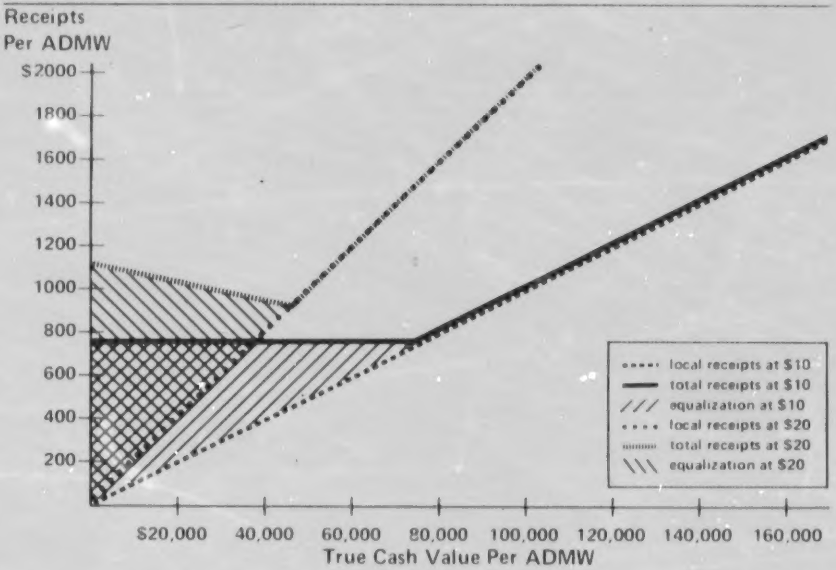
—minus—

School tax rate times true cash value times adjustment factor

figure 4-6

PER PUPIL RECEIPTS/AVAILABLE WEALTH EQUALIZATION PLAN

Non-School Tax Rate = $5

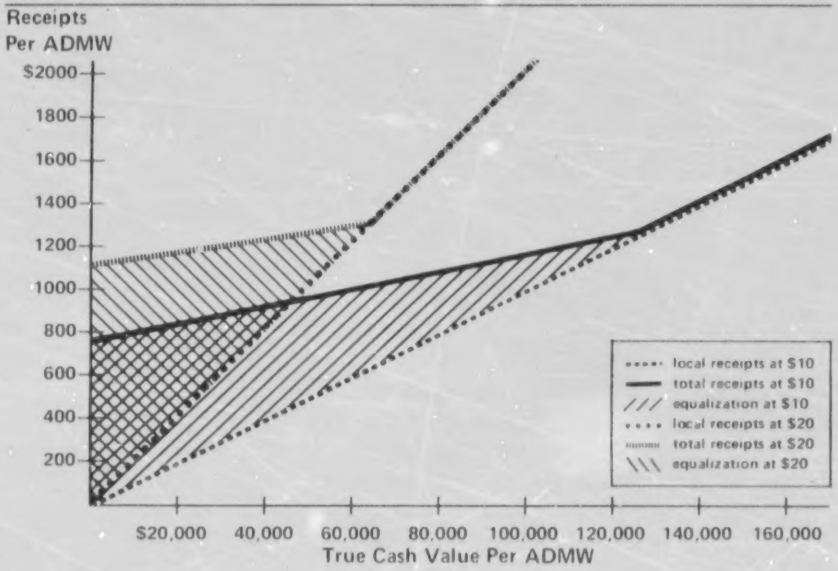


This plan equalizes receipts up to $77,000 per ADMW at a $10 tax rate, and up to $46,250 at a $20 tax rate.

figure 4-7

PER PUPIL RECEIPTS/AVAILABLE WEALTH EQUALIZATION PLAN

Non-School Tax Rate = $15



This plan equalizes receipts up to $128,333 per ADMW at a $10 tax rate, and up to $64,749 at a $20 tax rate.

—minus—
Other local offsets
—equals—
State Equalization to the district

Under this plan, if a district has a school tax rate between $10 and $22, and does not have enough available property wealth for school support (when multiplied by 1.5) to raise the guaranteed amount, then the state makes up the difference.

Figure 4-6 shows the effects of the available wealth equalization plan when the nonschool tax rate is $5 and the school tax rate is $10 or $20.

A school district with $40,000 TCV per pupil, a $10 school tax rate and a $15 total tax rate would raise $400, be guaranteed $770 and receive $370 per pupil in equalization aid [$770–1.5 (10x.66x40,000x.001)$370]. At a $20 school tax rate the same district would be "guaranteed" $1,110 per pupil by the state, raise $800 locally ($20x40=$800), receive $150 in equalization aid [state aid=$1,110–1.5 (20x.8x40,000x.001)] and have $950 per pupil to spend ($800+$150=$950). A district with $100,000 TCV per pupil would raise $1,000 locally at $10 and $2,000 per pupil at $20. Again it would receive no equalization aid.

If the noneducational tax rate is increased to $15, as in figure 4-7, the wealthier a school district is the better it does under this plan. At a school tax rate of $10, the district with $40,000 TCV per pupil is guaranteed $770 per pupil, raises $400 locally, receives $530 in equalization aid, for a total expenditure of $930. At $20, the same district is guaranteed $1,110 per pupil, raises $800 locally, receives $424.28 in equalization aid, for a total expenditure of $1,224.28. At $10 the district with $100,000 TCV is guaranteed $770, raises $1,000 locally, receives $170 in state aid, for a total expenditure of $1,170. At $20 the district is guaranteed $1,110, raises $2,000 locally, and receives no equalization.

The available wealth equalization plan would help those districts which have a higher proportion of noneducational taxes relative to districts with the same school tax effort and a lower noneducational tax burden. However, the adoption of such a plan would create a number of conceptual problems, as well as some practical ones. For instance, how would you distinguish municipal overburden from a community that simply prefers to spend money for noneducational services? For example, if a community with many senior citizens votes to increase expenditures for transportation and police services should that community's school district benefit?

Another problem is in making adjustments for the fact that some communities privately provide such services as fire protection, sanitation, and even schooling, while other communities provide them publicly. The available wealth equalization plan favors those communities which provide noneducational services publicly. It also discourages communities from raising local school taxes.

Another difficult problem is to put a value on the alternative costs incurred by those living in uncongested areas. For example, a city dweller might pay taxes for police protection, while a suburban commuter pays a greater price by driving two hours each day to get to and from an area inaccessible to criminals.[29]

Finally, one should ask whether the state legislature should subsidize people who live in high-cost urban areas. Part of the municipal overburden may result from the inefficiencies of living in overcrowded areas. Overpopulated areas will never thin out if those extra costs are subsidized by higher levels of government.[30]

The effects of the available wealth plan are shown in tables 4-10 through 4-12 for the same 38 districts used before. The same allowances for educational need are used as in the previous plans.

table 4-10

## AVAILABLE WEALTH EQUALIZATION PLAN: DECISIONS

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant ($/ADMW) | 0.0 |
| D210 | Foundation Program | No |
| D212 | Amount of Foundation ($/ADMW) | 0.0 |
| D215 | Fndn Reqd Local Effort ($/1000) | 0.0 |
| D220 | Local Guaranteed Yield (LGY) | Yes |
| D222 | LGY Required Local Effort ($/1000) | 10.00 |
| D225 | LGY Amt at Reqd Local Effort ($/ADMW) | 770.00 |
| D228 | LGY Lower Line Rate ($/MILL/ADMW) | 40.00 |
| D231 | LGY Upper Line Rate ($/MILL/ADMW) | 25.00 |
| D234 | LGY Kink Point Tax Rate ($/1000) | 16.00 |
| D237 | LGY Max Allowed Tax Rate ($/1000) | 22.00 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | Yes |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate ($/1000) | 0.0 |
| D242 | High School Specified Tax Rate ($/1000) | 0.0 |
| D243 | Unified Specified Tax Rate ($/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | No |
| D247 | Amt Raised by Eq Dists ($/ADMW) | 0.0 |
| D250 | Amt Raised by IED Equalizing ($/ADMW) | 0.0 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified ($/$1000) | 0.0 |
| D301 | Grant for Kindergarten ($/Student) | 0.0 |
| D303 | Grant for Special Students (%of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools ($/Stud) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year Used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | No |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts Over 73-74 | Not Used |
| D364 | Use Cherry factor for All Districts | Yes |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-11

## AVAILABLE WEALTH EQUALIZATION PLAN: RESULTS

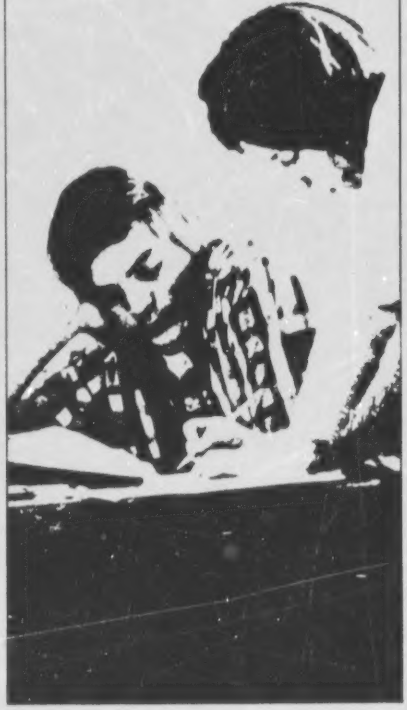
| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 4.03 | –0.99 | 86.96 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 9.74 | –1.90 | 253.99 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 9.97 | –4.98 | 173.46 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 6.28 | 1.05 | 120.91 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 13.06 | –1.03 | 91.32 | 1418.07 |
| Harper No. 66–U | 69795.57 | 110.50 | 16.74 | –0.17 | 73.83 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 10.82 | –2.83 | 426.35 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 14.01 | 1.52 | 81.39 | 1244.11 |
| Bend No. 1–U | 51026.99 | 6052.00 | 14.10 | –0.92 | 292.43 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 12.46 | –2.46 | 437.57 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 7.02 | –1.57 | 361.60 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 18.52 | –0.42 | 269.45 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 24.04 | 3.42 | 199.97 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.90 | –3.29 | 417.34 | 1270.35 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 15.57 | –1.63 | 341.97 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 12.40 | –4.52 | 451.57 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 18.50 | 0.33 | 249.13 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 8.75 | 1.85 | 275.55 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 13.30 | –1.96 | 368.72 | 1017.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 10.55 | –3.63 | 489.61 | 1030.41 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.59 | –3.86 | 415.18 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 16.70 | –2.52 | 438.08 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 16.82 | –1.64 | 410.28 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 12.44 | –0.52 | 534.49 | 1438.43 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 16.37 | –0.06 | 344.44 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 11.51 | –2.62 | 635.71 | 1445.57 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 10.55 | –0.22 | 448.18 | 1100.79 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 14.77 | –3.45 | 535.83 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 16.18 | –1.74 | 451.71 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 10.75 | –0.45 | 517.85 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 7.80 | 1.02 | 530.61 | 1159.33 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 15.09 | 0.37 | 520.85 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 15.51 | –1.05 | 631.92 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 11.97 | 2.18 | 561.75 | 1013.01 |
| Reedville No. 29–E | 24810.24 | 875.00 | 6.23 | –1.55 | 549.74 | 1036.35 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 10.32 | 1.74 | 590.42 | 1167.45 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 10.41 | 1.26 | 425.48 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 10.63 | 1.34 | 608.33 | 1255.74 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 27.34 | 12.92 | 917.16 | 5145.88 |
| 90th %tile | 132135.50 | 3400.00 | 18.50 | 2.53 | 569.37 | 1973.46 |
| 80th %tile | 88677.50 | 1691.90 | 15.60 | 1.30 | 515.82 | 1668.18 |
| Median | 43991.03 | 335.00 | 10.55 | –0.28 | 341.97 | 1246.63 |
| 20th %tile | 32054.02 | 81.40 | 6.83 | –1.73 | 115.69 | 1082.86 |
| 10th %tile | 27907.15 | 38.40 | 5.65 | –2.55 | 73.06 | 1023.35 |
| Low | 16119.33 | 4.92 | 3.16 | –7.52 | 4.45 | 824.48 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **392.69** | **1251.90** |

table 4-12

### AVAILABLE WEALTH EQUALIZATION PLAN: RECEIPTS

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 83.85 | 137.76 | 2601.12 | –1548.77 |
| Olex No. 11–U | 0.0 | 0.0 | 250.85 | 26.52 | 1559.14 | –6364.83 |
| McKenzie No. 68–U | 0.0 | 63.54 | 105.50 | 59.37 | 1652.04 | –46559.45 |
| Sherman UH No. 1–UH | 0.0 | 9.36 | 108.29 | 13.73 | 1696.87 | –36976.75 |
| Central Linn No. 552–U | 0.0 | 24.22 | 63.59 | 35.22 | 1246.29 | –162299.56 |
| Harper No. 66–U | 0.0 | 0.0 | 70.35 | 11.76 | 1176.80 | –20068.56 |
| Portland No. 1J–U | 283.99 | 121.42 | 16.65 | 22.18 | 772.12 | 11293711.00 |
| Reedsport No. 105–U | 39.12 | 10.10 | 28.67 | 111.11 | 1040.74 | –257906.94 |
| Bend No. 1–U | 247.02 | 12.10 | 30.10 | 31.05 | 832.01 | 372659.81 |
| Parkrose No. 3–U | 398.47 | 16.35 | 18.60 | 14.71 | 687.02 | 979265.06 |
| Klamath Falls No. 1–E | 258.27 | 83.58 | 15.09 | 68.24 | 756.53 | 275674.13 |
| Beaverton No. 48J–U | 231.11 | 10.24 | 24.64 | 8.22 | 987.14 | 675539.00 |
| Corvallis No. 509J–U | 124.04 | 39.09 | 33.27 | 14.65 | 1294.28 | –768248.75 |
| Eugene No. 4J–U | 362.95 | 39.52 | 11.12 | 59.79 | 770.84 | 3943654.00 |
| Lake Oswego No. 7J–U | 302.53 | 13.87 | 22.07 | 16.70 | 1001.87 | 528284.44 |
| Salem No. 24J–U | 392.93 | 34.33 | 20.42 | 28.75 | 690.79 | 4475894.00 |
| Hood River No. 1–U | 178.59 | 18.41 | 48.42 | 75.65 | 1050.46 | 16234.28 |
| Burns UH No. 2–UH | 232.84 | 4.62 | 35.80 | 52.94 | 1013.78 | 29112.52 |
| Medford No. 549–U | 327.25 | 18.93 | 18.84 | 24.66 | 604.28 | 1072800.00 |
| Oregon City No. 62–U | 443.68 | 15.72 | 27.09 | 13.00 | 514.04 | 1101673.00 |
| Pendleton No. 16R–U | 362.64 | 13.08 | 35.71 | 18.25 | 643.10 | 550908.19 |
| Coos Bay No. 9–U | 356.31 | 43.04 | 35.01 | 23.24 | 710.12 | 894314.63 |
| Springfield No. 19–U | 350.92 | 32.50 | 23.15 | 59.04 | 724.69 | 1496801.00 |
| Astoria No. 1–U | 482.96 | 21.20 | 26.30 | 12.84 | 843.27 | 503482.19 |
| Ashland No. 5–U | 291.26 | 35.60 | 13.98 | 23.94 | 757.30 | 76344.75 |
| Falls City No. 57–U | 498.95 | 101.31 | 31.68 | 7.80 | 769.95 | 45255.42 |
| Baker No. 5J–U | 395.48 | 25.27 | 23.83 | 36.96 | 577.19 | 448967.13 |
| North Bend No. 13–U | 478.14 | 26.15 | 27.94 | 19.99 | 625.16 | 618657.75 |
| Redmond No. 2J–U | 404.85 | 12.99 | 30.63 | 29.58 | 732.21 | 381892.88 |
| Gresham No. 4–E | 471.01 | 12.78 | 30.84 | 6.47 | 747.72 | 507763.88 |
| Ninety-One No. 91–E | 477.71 | 2.27 | 47.14 | 17.50 | 579.98 | 38515.42 |
| Creswell No. 40–U | 429.30 | 56.70 | 31.07 | 55.86 | 540.48 | 116173.69 |
| Hermiston No. 8–U | 586.94 | 12.12 | 29.74 | 15.01 | 450.52 | 544556.38 |
| Scio No. 95C–U | 479.50 | 31.40 | 47.68 | 35.33 | 367.59 | 129995.06 |
| Reedville No. 29–E | 514.90 | 6.21 | 25.42 | 14.06 | 455.25 | 90501.75 |
| South Umpqua No. 19–U | 529.59 | 27.10 | 30.12 | 114.48 | 364.96 | 371855.50 |
| Oak Grove No. 4–E | 394.64 | 1.09 | 27.00 | 11.04 | 557.84 | 16027.07 |
| Cascade UH No. 5–UH | 537.71 | 24.82 | 42.43 | 14.06 | 578.47 | 193392.50 |
| **ALL DISTRICTS** | | | | | | |
| High | 771.36 | 203.97 | 731.71 | 253.66 | 4540.11 | 11293711.00 |
| 90th %tile | 501.06 | 61.27 | 117.45 | 111.11 | 1652.04 | 419972.75 |
| 80th %tile | 442.77 | 37.56 | 74.20 | 59.04 | 1419.65 | 136198.44 |
| Median | 262.26 | 14.93 | 41.38 | 21.65 | 843.41 | 11926.97 |
| 20th %tile | 0.0 | 0.31 | 26.88 | 13.00 | 544.49 | –18915.70 |
| 10th %tile | 0.0 | 0.0 | 21.48 | 10.10 | 478.15 | –46559.45 |
| Low | 0.0 | 0.0 | 0.0 | 0.0 | 235.90 | –773626.50 |
| **Total or Mean** | **319.83** | **39.45** | **29.61** | **31.41** | **788.90** | **51077154.86** |

# EQUALIZATION AND ALTERNATIVE RECAPTURE PLANS



To completely eliminate the advantages of local wealth in a state school finance system, districts should return to the state any money they raise above the guaranteed amount or foundation level from their local tax rate. A statewide recapture provision was included in the foundation phase-in plan but was not included in any of the local guaranteed yield plans.

Elimination of the intermediate education district equalization levy without substituting a recapture provision would cause some problems in Oregon. As was explained in chapter 3, Oregon currently has an Intermediate Education District equalization levy which redistributes tax dollars from wealthy areas to poor school districts within each IED (upon approval of the voters in the IED). This provides some recapture at the local level. If no substitute recapture provision is included in the local guaranteed yield plan, some property-rich districts will enjoy windfall benefits under the LGY plan. For example if IED equalization is eliminated and there is no recapture, McKenzie District No. 68, which has over $170,000 of property value per student, would be able to maintain its current program under the LGY plan with a $4.98 property tax reduction. Although this is fairly infrequent and involves relatively little state money, it is still inconsistent with the goal of providing more equal educational opportunity for all children in Oregon.

## Statewide Recapture

In this section we will outline three ways to insure that property-rich communities help pay for the education of children in districts which cannot raise the guaranteed amount from local sources. The first method is to add a recapture provision to the local guaranteed yield plan. The plan would be exactly the same as the LGY plan discussed earlier in this chapter except that there would be recapture. The predicted results of this plan are listed in tables 4-13 and 4-15. By adding this recapture provision, the state could increase the minimum LGY guarantee from $760 to $785 per pupil without a significant increase in state aid. In this case, the tax rate for McKenzie District No. 68 would fall only $0.43, rather than falling by $4.98.

This is the simplest and most straightforward way to provide a completely equitable and understandable school finance system. All districts in the state which exert the same tax effort would have the same number of spendable dollars. From a Serrano-equity point of view, this would be our strongest recommendation.

## Regional Equalization Districts

A second way to insure that property-rich areas contribute to the school support of poor areas is to redistribute money within very large regions. This proposal calls for a uniform tax on all taxable property in the regional districts to raise a specified amount of revenue per ADMW. The receipts generated regionally are then distributed to the school districts in each region on a per pupil basis.

The intent of this plan is to find a method of taxing regionally oriented facilities to increase their share of the school support burden. Frequently, nuclear power plants, dams, and pipelines are located in areas with few school children, so they do not pay a fair share of the school taxes in the larger region of which they are a part. By creating regional districts for equalization, the high-value property of such facilities can raise revenues for schools throughout the region.

Another reason for regional districts is to reduce the pressure on the state to assume more of the costs of education. If regions are large enough and if the variation in per pupil wealth among regions is not too great, then much of the responsibility for equalizing school expenditures can be assigned to the regional equalization districts.

Politically this appears to make good sense in Oregon. Citizens in Eastern Oregon are probably more willing to share their tax dollars with others in that part of the state than they are to see the money distributed to Portland. Voters in the western part of the state also would probably like to see their tax

### table 4-13

## LOCAL GUARANTEED YIELD PLAN WITH STATEWIDE RECAPTURE: DECISIONS

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant ($/ADMW) | 0.0 |
| D210 | Foundation Program | No |
| D212 | Amount of Foundation ($/ADMW) | 0.0 |
| D215 | Fndn Reqd Local Effort ($/1000) | 0.0 |
| D220 | Local Guaranteed Yield (LGY) | Yes |
| D222 | LGY Required Local Effort ($/1000) | 10.00 |
| D225 | LGY Amt at Reqd Local Effort ($/ADMW) | 785.00 |
| D228 | LGY Lower Line Rate ($/MILL/ADMW) | 40.00 |
| D231 | LGY Upper Line Rate ($/MILL/ADMW) | 25.00 |
| D234 | LGY Kink Point Tax Rate ($/1000) | 16.00 |
| D237 | LGY Max Allowed Tax Rate ($/1000) | 22.00 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | Yes |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate ($/1000) | 0.0 |
| D242 | High School Specified Tax Rate ($/1000) | 0.0 |
| D243 | Unified Specified Tax Rate ($/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | No |
| D247 | Amt Raised by Eq Dists ($/ADMW) | 0.0 |
| D250 | Amt Raised by IED Equalizing ($/ADMW) | 0.0 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified ($/$1000) | 0.0 |
| D301 | Grant for Kindergarten ($/Student) | 0.0 |
| D303 | Grant for Special Students (% of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools ($/Stud) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year Used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | Yes |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts Over 73-74 | Not Used |
| D364 | Use Cherry factor for Portland | No |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-14

## LOCAL GUARANTEED YIELD PLAN WITH STATEWIDE RECAPTURE: RESULTS

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 13.89 | 8.87 | –4676.78 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 27.53 | 15.89 | –3019.43 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 14.52 | –0.43 | –606.76 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 9.94 | 4.71 | –876.13 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 21.42 | 7.33 | –680.05 | 1418.07 |
| Harper No. 66–U | 69795.57 | 110.50 | 18.95 | 2.04 | –80.81 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 13.33 | –0.32 | 256.67 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 13.41 | 0.92 | 121.46 | 1244.11 |
| Bend No. 1–U | 51026.99 | 6052.00 | 12.49 | –2.53 | 374.57 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 13.04 | –1.88 | 408.23 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 6.74 | –1.85 | 383.74 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 16.26 | –2.68 | 376.55 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 20.04 | –0.58 | 380.45 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.46 | –3.73 | 436.65 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 13.81 | –3.39 | 419.08 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 12.67 | -4.25 | 440.02 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 15.16 | –3.01 | 392.29 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 8.21 | 1.31 | 332.30 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 11.92 | –3.34 | 426.54 | 1017.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 10.65 | –3.53 | 501.56 | 1046.33 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.47 | –3.98 | 420.13 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 14.95 | –4.27 | 508.60 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 14.93 | –3.53 | 485.16 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 14.15 | 1.19 | 467.53 | 1438.43 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 13.02 | –3.41 | 473.08 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 10.98 | –3.15 | 664.14 | 1453.84 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 10.94 | 0.17 | 449.07 | 1116.22 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 13.98 | –4.24 | 504.69 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 13.85 | –4.07 | 535.94 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 9.60 | –1.60 | 586.04 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 6.43 | –0.35 | 597.78 | 1153.13 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 12.19 | –2.53 | 610.08 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 15.47 | –1.09 | 632.84 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 10.71 | 0.92 | 605.97 | 1025.20 |
| Reedville No. 29–E | 24810.24 | 875.00 | 4.98 | –2.80 | 619.36 | 1037.28 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 10.74 | 2.16 | 596.96 | 1184.33 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 7.01 | –2.14 | 605.97 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 8.34 | –0.95 | 706.97 | 1255.74 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 38.86 | 28.82 | 908.44 | 5145.88 |
| 90th %tile | 132135.50 | 3400.00 | 21.38 | 7.01 | 612.95 | 1973.46 |
| 80th %tile | 88677.50 | 1691.90 | 15.82 | 3.66 | 566.38 | 1620.75 |
| Median | 43991.03 | 335.00 | 11.22 | –0.72 | 420.13 | 1244.11 |
| 20th %tile | 32054.02 | 81.40 | 6.56 | –2.81 | –173.63 | 1077.79 |
| 10th %tile | 27907.15 | 38.40 | 5.99 | –3.70 | –930.71 | 1018.81 |
| Low | 16119.33 | 4.92 | 2.81 | –9.73 | –11896.24 | 554.64 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **395.48** | **1252.98** |

table 4-15

## LOCAL GUARANTEED YIELD PLAN WITH STATEWIDE RECAPTURE: RECEIPTS

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | –4763.74 | 0.0 | 83.85 | 137.76 | 7364.85 | –39896.84 |
| Olex No. 11–U | –3273.42 | 0.0 | 250.85 | 26.52 | 4832.55 | –134748.31 |
| McKenzie No. 68–U | –780.22 | 63.54 | 105.50 | 59.37 | 2432.26 | –421882.81 |
| Sherman UH No. 1–UH | –997.04 | 9.36 | 108.29 | 13.73 | 2693.92 | –267692.56 |
| Central Linn No. 552–U | –771.36 | 24.22 | 63.59 | 35.22 | 2017.66 | –999615.56 |
| Harper No. 66–U | –154.65 | 0.0 | 70.35 | 11.76 | 1331.45 | –37156.88 |
| Portland No. 1J–U | 114.31 | 121.42 | 16.65 | 22.18 | 941.80 | –633088.06 |
| Reedsport No. 105–U | 79.19 | 10.10 | 28.67 | 111.11 | 1000.67 | –190110.94 |
| Bend No. 1–U | 329.16 | 12.10 | 30.10 | 31.05 | 749.87 | 869778.81 |
| Parkrose No. 3–U | 369.13 | 16.35 | 18.60 | 14.71 | 716.36 | 810684.06 |
| Klamath Falls No. 1–E | 280.42 | 83.58 | 15.09 | 68.24 | 734.39 | 322728.13 |
| Beaverton No. 48J–U | 338.21 | 10.24 | 24.64 | 8.22 | 880.04 | 3020706.00 |
| Corvallis No. 509J–U | 304.52 | 39.09 | 33.27 | 14.65 | 1113.79 | 693337.19 |
| Eugene No. 4J–U | 382.26 | 39.52 | 11.12 | 59.79 | 751.53 | 4373443.00 |
| Lake Oswego No. 7J–U | 379.64 | 13.87 | 22.07 | 16.70 | 924.76 | 1073154.00 |
| Salem No. 24J–U | 381.38 | 34.33 | 20.42 | 28.75 | 702.34 | 4192987.00 |
| Hood River No. 1–U | 321.75 | 18.41 | 48.42 | 75.65 | 907.30 | 512297.25 |
| Burns UH No. 2–UH | 289.59 | 4.62 | 35.80 | 52.94 | 957.03 | 66221.69 |
| Medford No. 549–U | 385.07 | 18.93 | 18.84 | 24.66 | 546.46 | 1702071.00 |
| Oregon City No. 62–U | 455.63 | 15.72 | 27.09 | 13.00 | 518.00 | 1179834.00 |
| Pendleton No. 16R–U | 367.59 | 13.08 | 35.71 | 18.25 | 638.14 | 570778.19 |
| Coos Bay No. 9–U | 426.82 | 43.04 | 35.01 | 23.24 | 639.60 | 1358607.00 |
| Springfield No. 19–U | 425.80 | 32.50 | 23.15 | 59.04 | 649.81 | 2312242.00 |
| Astoria No. 1–U | 416.01 | 21.20 | 26.30 | 12.84 | 910.22 | 354837.13 |
| Ashland No. 5–U | 419.91 | 35.60 | 13.98 | 23.94 | 628.65 | 492512.75 |
| Falls City No. 57–U | 527.38 | 101.31 | 31.68 | 7.80 | 749.79 | 51453.25 |
| Baker No. 5J–U | 396.36 | 25.27 | 23.83 | 36.96 | 591.73 | 451700.13 |
| North Bend No. 13–U | 507.00 | 26.15 | 27.94 | 19.99 | 596.31 | 726909.75 |
| Redmond No. 2J–U | 489.08 | 12.99 | 30.63 | 29.58 | 647.98 | 666635.88 |
| Gresham No. 4–E | 539.20 | 12.78 | 30.84 | 6.47 | 679.53 | 739607.88 |
| Ninety-One No. 91–E | 544.88 | 2.27 | 47.14 | 17.50 | 506.59 | 65384.36 |
| Creswell No. 40–U | 518.53 | 56.70 | 31.07 | 55.86 | 451.25 | 213645.25 |
| Hermiston No. 8–U | 587.86 | 12.12 | 29.74 | 15.01 | 449.61 | 547118.25 |
| Scio No. 95C–U | 523.72 | 31.40 | 47.68 | 35.33 | 335.56 | 170813.25 |
| Reedville No. 29–E | 584.52 | 6.21 | 25.42 | 14.06 | 386.55 | 151423.13 |
| South Umpqua No. 19–U | 536.13 | 27.10 | 30.12 | 1114.48 | 375.30 | 388561.63 |
| Oak Grove No. 4–E | 575.12 | 1.09 | 27.00 | 11.04 | 377.35 | 52124.87 |
| Cascade UH No. 5–UH | 636.35 | 24.82 | 42.43 | 14.06 | 479.83 | 324583.19 |
| **ALL DISTRICTS** | | | | | | |
| High | 762.64 | 203.97 | 731.71 | 253.66 | 15094.54 | 4373443.00 |
| 90th %tile | 544.25 | 61.27 | 117.45 | 111.11 | 2653.71 | 570778.19 |
| 80th %tile | 502.18 | 37.56 | 74.20 | 59.04 | 1674.60 | 292047.25 |
| Median | 358.39 | 14.93 | 41.38 | 21.65 | 770.64 | 42521.91 |
| 20th %tile | –275.72 | 0.31 | 26.88 | 13.00 | 481.40 | –38661.36 |
| 10th %tile | –1099.49 | 0.0 | 21.48 | 10.10 | 432.33 | –115886.38 |
| Low | –12133.49 | 0.0 | 0.0 | 0.0 | 213.96 | –1635803.00 |
| **Total or Mean** | **322.62** | **39.45** | **29.61** | **31.41** | **787.19** | **52518784.76** |

67

dollars stay as close to home as possible.

The regional equalization was added to the local guaranteed yield plan in the following manner. Each school district was placed into one of three regional districts. All districts east of the Cascades comprise District I. District II consists of all districts west of the Cascades except those in Clackamas, Columbia, Multnomah and Washington counties, which are included in District III. The districts were selected because of their similar tax and economic structures, and because people living in those areas generally identify themselves with that region.

The total number of students and total property value in 1973-74 were calculated for each regional district, and enrollment and TCV were also projected for each year through 1978-79. The calculations of ADMW, TCV, TCV/ADMW and the tax rate required to raise $300/ADMW for each regional district are shown in table 4-16.

table 4-16
**BASIC DATA ON THE REGIONAL EQUALIZATION DISTRICTS**

| Regional Equalization Districts | ADMW | TCV | TCV/ADMW | Tax rate necessary to raise $300/ADMW |
|---|---|---|---|---|
| **1973-74** | | | | |
| Eastern | 73,76 | $3,541,079,697 | $48,003 | $6.25 |
| Western | 232,892 | 10,331,405,463 | 44,361 | 6.76 |
| Metro | 209,574 | 10,711,503,685 | 51,111 | 5.87 |
| **1974-75** | | | | |
| Eastern | 73,900 | 4,026,879,780 | 54,490 | 5.51 |
| Western | 234,521 | 11,848,989,314 | 50,524 | 5.94 |
| Metro | 207,524 | 12,512,132,505 | 60,293 | 4.98 |
| **1975-76** | | | | |
| Eastern | 73,312 | 4,197,975,446 | 57,262 | 5.24 |
| Western | 231,309 | 12,592,194,650 | 54,439 | 5.51 |
| Metro | 204,970 | 13,399,475,996 | 65,373 | 4.59 |
| **1976-77** | | | | |
| Eastern | 73,581 | 4,366,953,446 | 59,349 | 5.05 |
| Western | 232,736 | 13,326,536,052 | 57,260 | 5.24 |
| Metro | 204,403 | 14,276,320,201 | 69,844 | 4.30 |
| **1977-78** | | | | |
| Eastern | 73,640 | 4,542,193,371 | 61,681 | 4.86 |
| Western | 233,488 | 14,078,023,125 | 60,294 | 4.98 |
| Metro | 203,255 | 15,170,703,423 | 74,639 | 4.02 |
| **1978-79** | | | | |
| Eastern | 73,208 | 4,711,640,257 | 64,360 | 4.66 |
| Western | 232,572 | 14,809,824,542 | 63,678 | 4.71 |
| Metro | 200,607 | 16,043,186,151 | 79,973 | 3.75 |

The Eastern Oregon region has fewer students and less total property wealth than the two regions in Western Oregon. However, it has slightly more wealth per student than Western Oregon and somewhat less than the Portland metropolitan region (District III). These differences in TCV/ADMW among the regional districts increase by 1978-79, because of expected enrollment declines and rising property wealth in the metropolitan region. Despite these expected increases, the wealth variation is still very small compared to the variation which currently exists among individual school districts.

Once the three regional districts and their total property values are established, it is an easy matter to derive the tax rate for each region necessary to raise a certain number of dollars per ADMW. This tax rate is then levied against all taxable property in the region, and the revenues are distributed to the school districts on a per pupil basis.

To determine a school district's guaranteed expenditure level under the local guaranteed yield schedule, the regional equalization district tax rate becomes part of the local district's school tax rate. For example, a local district with a school tax rate of $10 in a region with a tax rate of $3 would be guaranteed expenditures for a tax effort of $13.

The state equalization grant is determined by the total of the receipts from the local school levy and the regional grant. State aid to a school district would be calculated in the following manner:

The guaranteed amount x ADMW
—minus—
School tax rate times district TCV
—minus—
Regional Equalization Grant
—minus—
Federal forest fees, federal impact aid, and common school fund receipts
—equals—
State equalization to the district

The impact of the regional equalization districts can be seen in tables 4-17 and 4-19. Under this plan, a district is guaranteed a minimum of $780 at a $10 local tax rate, $50 for each additional dollar of tax up to $16, and $35 for each additional dollar of tax between $16 and $22. There is a $300 regional equalization district grant, and the state provides $200, for compensatory education students up to 5 percent, $400 between 5 percent and 10 percent, and $600 above 10 percent.

As you can see, the addition of regional equalization grants allows the state to increase the minimum guarantee in the LGY schedule by $20. This LGY plan with regional equalization was recommended to the 1975 Oregon legislature by the Committee on Equal Educational Opportunity. Its likely impact on every Oregon school district over the next five years is presented in the data supplement to this volume.

table 4-17

## LOCAL GUARANTEED YIELD PLAN WITH REGIONAL EQUALIZATION: DECISIONS

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant ($/ADMW) | 0.0 |
| D210 | Foundation Program | No |
| D212 | Amount of Foundation ($/ADMW) | 0.0 |
| D215 | Fndn Reqd Local Effort ($/1000) | 0.0 |
| D220 | Local Guaranteed Yield (LGY) | Yes |
| D222 | LGY Required Local Effort ($/1000) | 10.00 |
| D225 | LGY Amt at Reqd Local Effort ($/ADMW) | 780.00 |
| D228 | LGY Lower Line Rate ($/MILL/ADMW) | 50.00 |
| D231 | LGY Upper Line Rate ($/MILL/ADMW) | 35.00 |
| D234 | LGY Kink Point Tax Rate ($/1000) | 16.00 |
| D237 | LGY Max Allowed Tax Rate ($/1000) | 22.00 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | Yes |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate ($/1000) | 0.0 |
| D242 | High School Specified Tax Rate ($/1000) | 0.0 |
| D243 | Unified Specified Tax Rate ($/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | No |
| D247 | Amt Raised by Eq Dists ($/ADMW) | 300.00 |
| D250 | Amt Raised by IED Equalizing ($/ADMW) | 0.0 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified ($/$1000) | 0.0 |
| D301 | Grant for Kindergarten ($/Student) | 0.0 |
| D303 | Grant for Special Students (% of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools ($/Stud) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year Used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | No |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts Over 73-74 | Not Used |
| D364 | Use Cherry factor for Portland | No |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-18

## LOCAL GUARANTEED YIELD PLAN WITH REGIONAL EQUALIZATION: RESULTS

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 9.66 | 4.64 | 86.96 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 14.36 | 2.72 | 253.99 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 14.98 | 0.03 | 173.46 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 7.67 | 2.44 | 120.91 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 16.57 | 2.48 | 91.32 | 1418.08 |
| Harper No. 66–U | 69795.57 | 110.50 | 17.26 | 0.35 | 173.64 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 13.65 | 0.0 | 332.93 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 13.82 | 1.33 | 247.70 | 1244.10 |
| Bend No. 1–U | 51026.99 | 6052.00 | 13.10 | −1.92 | 362.04 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 13.71 | −1.21 | 371.62 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 6.87 | −1.72 | 372.27 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 15.84 | −3.10 | 374.53 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 18.48 | −2.14 | 456.59 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.32 | −3.87 | 443.73 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 13.78 | −3.42 | 377.35 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 12.88 | −4.04 | 422.00 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 14.70 | −3.47 | 379.71 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 7.47 | 0.57 | 374.15 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 12.35 | −2.91 | 392.64 | 1017.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 11.35 | −2.83 | 396.63 | 1026.58 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.22 | −4.23 | 389.10 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 14.76 | −4.46 | 489.17 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 14.72 | −3.74 | 461.97 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 14.09 | 1.13 | 435.06 | 1439.43 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 13.14 | −3.29 | 428.18 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 11.27 | −2.86 | 537.90 | 1380.86 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 10.94 | 0.17 | 369.38 | 1104.35 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 14.31 | −3.91 | 501.13 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 13.93 | −3.99 | 459.23 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 9.48 | −1.72 | 501.30 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 6.43 | −0.35 | 427.27 | 1093.46 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 12.91 | −1.81 | 495.38 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 15.08 | −1.48 | 508.81 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 10.71 | 0.92 | 457.45 | 1005.12 |
| Reedville No. 29–E | 24810.24 | 875.00 | 5.20 | −2.58 | 445.24 | 1029.89 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 10.74 | 2.16 | 427.83 | 1149.08 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 6.88 | −2.27 | 474.51 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 8.02 | −1.27 | 580.28 | 1255.75 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 27.07 | 17.03 | 745.24 | 5145.88 |
| 90th %tile | 132135.50 | 3400.00 | 17.18 | 3.44 | 503.64 | 1973.46 |
| 80th %tile | 88677.50 | 1691.90 | 14.47 | 2.15 | 464.75 | 1643.14 |
| Median | 43991.03 | 335.00 | 11.22 | −0.66 | 399.49 | 1244.10 |
| 20th %tile | 32054.02 | 81.40 | 6.71 | −2.66 | 189.23 | 1081.74 |
| 10th %tile | 27907.15 | 38.40 | 6.22 | −3.59 | 117.24 | 1017.13 |
| Low | 16119.33 | 4.92 | 4.11 | −10.11 | 24.61 | 825.54 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **393.84** | **1247.44** |

table 4-19

## LOCAL GUARANTEED YIELD PLAN WITH REGIONAL EQUALIZATION: RECEIPTS

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 83.85 | 437.76 | 2301.12 | –1548.77 |
| Olex No. 11–U | 0.0 | 0.0 | 250.85 | 326.56 | 1259.10 | –6364.83 |
| McKenzie No. 68–U | 0.0 | 63.54 | 105.50 | 359.37 | 1352.04 | –46559.45 |
| Sherman UH No. 1–UH | 0.0 | 9.36 | 108.29 | 313.73 | 1396.87 | –36976.75 |
| Central Linn No. 552–U | 0.0 | 24.22 | 63.59 | 335.22 | 946.29 | –162299.56 |
| Harper No. 66–U | 99.80 | 0.0 | 70.35 | 311.76 | 777.00 | –9040.36 |
| Portland No. 1J–U | 190.56 | 121.42 | 16.65 | 322.18 | 565.55 | 4726687.00 |
| Reedsport No. 105–U | 205.44 | 10.10 | 28.67 | 411.11 | 574.42 | 23486.50 |
| Bend No. 1–U | 316.62 | 12.10 | 30.10 | 331.05 | 462.40 | 793935.81 |
| Parkrose No. 3–U | 332.53 | 16.35 | 18.60 | 314.71 | 452.96 | 600383.06 |
| Klamath Falls No. 1–E | 268.94 | 83.58 | 15.09 | 368.24 | 445.86 | 298352.31 |
| Beaverton No. 48J–U | 336.18 | 10.24 | 24.64 | 308.22 | 582.07 | 2976384.00 |
| Corvallis No. 509J–U | 380.66 | 39.09 | 33.27 | 314.65 | 737.65 | 1309927.00 |
| Eugene No. 4J–U | 389.34 | 39.52 | 11.12 | 359.79 | 444.45 | 4531175.00 |
| Lake Oswego No. 7J–U | 337.91 | 13.87 | 22.07 | 316.70 | 666.49 | 778312.44 |
| Salem No. 24J–U | 363.35 | 34.33 | 20.42 | 328.75 | 420.36 | 3751467.00 |
| Hood River No. 1–U | 309.17 | 18.41 | 48.42 | 375.65 | 619.88 | 468703.06 |
| Burns UH No. 2–UH | 331.44 | 4.62 | 35.80 | 352.94 | 615.18 | 93587.44 |
| Medford No. 549–U | 351.16 | 18.93 | 18.84 | 324.66 | 280.37 | 1333081.00 |
| Oregon City No. 62–U | 350.70 | 15.72 | 27.09 | 313.00 | 303.19 | 493746.75 |
| Pendleton No. 16R–U | 336.56 | 13.08 | 35.71 | 318.25 | 369.18 | 446410.75 |
| Coos Bay No. 9–U | 407.40 | 43.04 | 35.01 | 323.24 | 359.03 | 1230706.00 |
| Springfield No. 19–U | 402.61 | 32.50 | 23.15 | 359.04 | 373.00 | 2059650.00 |
| Astoria No. 1–U | 383.53 | 21.20 | 26.30 | 312.84 | 642.70 | 282749.00 |
| Ashland No. 5–U | 375.01 | 35.60 | 13.98 | 323.94 | 373.55 | 347263.00 |
| Falls City No. 57–U | 401.14 | 101.31 | 31.68 | 307.80 | 503.05 | 23933.11 |
| Baker No. 5J–U | 316.68 | 25.27 | 23.83 | 336.96 | 359.54 | 205777.75 |
| North Bend No. 13–U | 443.43 | 26.15 | 27.94 | 319.99 | 359.87 | 488455.75 |
| Redmond No. 2J–U | 412.37 | 12.99 | 30.63 | 329.58 | 424.69 | 407303.88 |
| Gresham No. 4–E | 454.46 | 12.78 | 30.84 | 306.47 | 464.27 | 451495.25 |
| Ninety-One No. 91–E | 374.36 | 2.27 | 47.14 | 317.50 | 317.44 | –2820.90 |
| Creswell No. 40–U | 403.83 | 56.70 | 31.07 | 355.86 | 265.95 | 88348.88 |
| Hermiston No. 8–U | 463.83 | 12.12 | 29.74 | 315.01 | 273.63 | 200981.38 |
| Scio No. 95C–U | 375.20 | 31.40 | 47.68 | 335.33 | 164.00 | 33717.56 |
| Reedville No. 29–E | 410.40 | 6.21 | 25.42 | 314.06 | 253.29 | –937.28 |
| South Umpqua No. 19–U | 367.00 | 27.10 | 30.12 | 414.48 | 209.18 | –43397.51 |
| Oak Grove No. 4–E | 443.67 | 1.09 | 27.00 | 311.04 | 208.81 | 25832.98 |
| Cascade UH No. 5–UH | 509.66 | 24.82 | 42.43 | 314.06 | 306.52 | 156082.75 |
| **ALL DISTRICTS** | | | | | | |
| High | 609.05 | 203.97 | 731.71 | 553.96 | 4240.11 | 4726687.00 |
| 90th %tile | 413.82 | 61.27 | 117.45 | 411.10 | 1334.70 | 423007.69 |
| 80th %tile | 393.72 | 37.56 | 74.20 | 359.04 | 1070.98 | 164034.88 |
| Median | 330.11 | 14.93 | 41.38 | 321.64 | 480.41 | 22662.36 |
| 20th %tile | 0.0 | 0.31 | 26.88 | 313.00 | 276.96 | –4747.09 |
| 10th %tile | 0.0 | 0.0 | 21.48 | 310.10 | 229.75 | –16991.25 |
| Low | 0.0 | 0.0 | 0.0 | 300.00 | 57.94 | –343910.19 |
| **Total or Mean** | **320.99** | **39.45** | **29.61** | **331.41** | **483.28** | **51675267.49** |

## IED Equalization

If neither statewide recapture nor regional equalization is included in the state finance program, it would be possible to modify the existing IED equalization levy to provide recapture at the county level. Instead of each IED collecting an amount equal to one-half of the current operating levies of component school districts and redistributing the money on a per pupil basis, this plan would call for a uniform tax on all property within the IED to raise, for example, $300 per student. This money would then be redistributed to individual school districts on a per pupil basis and would be treated just like a regional equalization grant in calculating state aid under the local guaranteed yield program. Tables 4-20 and 4-22 show the results of this plan. Recapture at this level provides some local equalization, but less than with regional equalization.

The inclusion of any one of these recapture proposals would increase the equity of any of the local guaranteed yield plans presented earlier.

table 4-20

LOCAL GUARANTEED YIELD PLAN
WITH IED EQUALIZATION: DECISIONS

| | | |
|---|---|---|
| D100 | Year to be Simulated | 1973-74 |
| D101 | Kindergarten Cost Factor | 0.50 |
| D102 | Grades 1-8 Cost Factor | 1.00 |
| D103 | Grades 9-12 Cost Factor | 1.30 |
| D116 | Comp Ed Cost Factor (1st 5% of ADM) | 0.0 |
| D117 | Comp Ed Cost Factor (5%–10% of ADM) | 0.0 |
| D118 | Comp Ed Cost Factor (Over 10% of ADM) | 0.0 |
| D120 | Necessary Small School Cost Factor | 0.0 |
| D200 | Flat Grant Program | No |
| D202 | Amount of Flat Grant ($/ADMW) | 0.0 |
| D210 | Foundation Program | No |
| D212 | Amount of Foundation ($/ADMW) | 0.0 |
| D215 | Fndn Reqd Local Effort ($/1000) | 0.0 |
| D220 | Local Guaranteed Yield (LGY) | Yes |
| D222 | LGY Required Local Effort ($/1000) | 10.00 |
| D225 | LGY Amt at Reqd Local Effort ($/ADMW) | 780.00 |
| D228 | LGY Lower Line Rate ($/MILL/ADMW) | 50.00 |
| D231 | LGY Upper Line Rate ($/MILL/ADMW) | 35.00 |
| D234 | LGY Kink Point Tax Rate ($/1000) | 16.00 |
| D237 | LGY Max Allowed Tax Rate ($/1000) | 22.00 |
| D238 | Dist Allowed to Tax Above LGY Max Rate | Yes |
| D240 | District Tax Rate | Mnt Rcpt |
| D241 | Elementary Specified Tax Rate ($/1000) | 0.0 |
| D242 | High School Specified Tax Rate ($/1000) | 0.0 |
| D243 | Unified Specified Tax Rate ($/1000) | 0.0 |
| D244 | % of 73-74 Unrestr Rcpt to be Maintained | 100.00 |
| D245 | Tax Rate Limit | No |
| D247 | Amt Raised by Eq Dists ($/ADMW) | 0.0 |
| D250 | Amt Raised by IED Equalizing ($/ADMW) | 300.00 |
| D251 | IED Equalizing Tax Rate | Specif |
| D252 | IED Eq Rate if Specified ($/$1000) | 0.0 |
| D301 | Grant for Kindergarten ($/Student) | 0.0 |
| D303 | Grant for Special Students (% of 73-74) | 100.00 |
| D316 | Grant for Comp Ed (1st 5% of ADM) | 200.00 |
| D317 | Grant for Comp Ed (5%–10% of ADM) | 400.00 |
| D318 | Grant for Comp Ed (Over 10% of ADM) | 600.00 |
| D320 | Grant for Necessary Small Schools ($/Stud) | 0.0 |
| D330 | Transportation Present Allotment | No |
| D331 | Transportation Percent of Reimb Costs | 75.00 |
| D338 | Debt Service Percent of Present Expend | 0.0 |
| D340 | Basis for District Type Adjustment | Present |
| D345 | TCV Year Used in Equalization Programs | Previous |
| D350 | Non-Residential TCV Locally Taxable | Yes |
| D351 | Non-Residential TCV Taxable by IED | Yes |
| D360 | State Recapture Allowed | No |
| D361 | Districts Held Harmless | No |
| D362 | Cost of Living Adjustment | No |
| D363 | Max % Increase in Tot Rcpts Over 73-74 | Not Used |
| D364 | Use Cherry factor for Portland | No |
| D400 | Districts Printed | Sample |
| D401 | Print Order | County |

table 4-21

### LOCAL GUARANTEED YIELD PLAN WITH IED EQUALIZATION: RESULTS

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Dif | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 7.92 | 2.90 | 86.96 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 11.02 | –0.62 | 253.99 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 15.13 | 0.18 | 173.46 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 6.07 | 0.84 | 120.91 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 16.05 | 1.96 | 91.32 | 1418.08 |
| Harper No. 66–U | 69795.57 | 110.50 | 17.31 | 0.40 | 230.76 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 13.57 | –0.08 | 293.79 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 13.68 | 1.19 | 176.84 | 1244.11 |
| Bend No. 1–U | 51026.99 | 6052.00 | 13.12 | –1.90 | 366.34 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 13.61 | –1.31 | 343.98 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 6.92 | –1.67 | 449.68 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 15.93 | –3.01 | 420.66 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 18.49 | –2.13 | 463.55 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.33 | –3.86 | 449.65 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 13.87 | –3.33 | 427.86 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 12.93 | –3.99 | 452.39 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 14.74 | –3.43 | 410.24 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 7.45 | 0.55 | 325.25 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 12.41 | –2.85 | 424.72 | 1017.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 11.55 | –2.63 | 440.25 | 1026.58 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.27 | –4.18 | 448.93 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 14.83 | –4.39 | 523.11 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 14.73 | –3.73 | 467.38 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 14.03 | 1.07 | 376.16 | 1438.44 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 13.18 | –3.25 | 457.98 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 11.48 | –2.65 | 569.81 | 1380.86 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 10.94 | 0.17 | 339.20 | 1105.27 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 14.41 | –3.81 | 530.49 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 13.94 | –3.98 | 462.44 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 9.47 | –1.73 | 499.11 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 6.43 | –0.35 | 474.17 | 1074.39 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 12.93 | –1.79 | 499.29 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 15.14 | –1.42 | 546.82 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 10.71 | 0.92 | 445.52 | 1006.27 |
| Reedville No. 29–E | 24810.24 | 875.00 | 5.39 | –2.39 | 544.46 | 1029.89 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 10.74 | 2.16 | 403.79 | 1154.43 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 6.98 | –2.17 | 553.10 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 7.98 | –1.31 | 529.66 | 1255.75 |
| **ALL DISTRICTS** | | | | | | |
| High | 537760.75 | 70290.50 | 28.08 | 14.26 | 815.98 | 5145.88 |
| 90th %tile | 132135.50 | 3400.00 | 16.37 | 3.02 | 553.95 | 1991.19 |
| 80th %tile | 88677.50 | 1691.90 | 14.73 | 1.65 | 510.54 | 1668.18 |
| Median | 43991.03 | 335.00 | 10.98 | –0.58 | 410.85 | 1241.32 |
| 20th %tile | 32054.02 | 87.40 | 6.66 | –2.63 | 191.81 | 1077.18 |
| 10th %tile | 27907.15 | 38.40 | 6.16 | –3.52 | 113.57 | 1014.17 |
| Low | 16119.33 | 4.92 | 4.11 | –10.06 | 39.74 | 823.21 |
| **Total or Mean** | **47621.84** | **516233.45** | | | **398.07** | **1247.24** |

table 4-22

## LOCAL GUARANTEED YIELD PLAN WITH IED EQUALIZATION: RECEIPTS

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 83.85 | 437.76 | 2301.12 | –1548.77 |
| Olex No. 11–U | 0.0 | 0.0 | 250,85 | 326.56 | 1259.10 | –6364.83 |
| McKenzie No. 68–U | 0.0 | 63.54 | 105.50 | 359.37 | 1352.04 | –46559.45 |
| Sherman UH No. 1–UH | 0.0 | 9.36 | 108.29 | 313.73 | 1396.87 | –36976.75 |
| Central Linn No. 552–U | 0.0 | 24.22 | 63.59 | 335.22 | 946.29 | –162299.56 |
| Harper No. 66–U | 156.92 | 0.0 | 70.35 | 311.76 | 719.88 | –2728.43 |
| Portland No. 1J–U | 151.42 | 121.42 | 16.65 | 322.18 | 604.69 | 1975775.00 |
| Reedsport No. 105–U | 134.58 | 10.10 | 28.67 | 411.11 | 645.28 | –96406.44 |
| Bend No. 1–U | 320.92 | 12.10 | 30.10 | 331.05 | 458.10 | 819954.81 |
| Parkrose No. 3–U | 304.88 | 16.35 | 18.60 | 314.71 | 480.61 | 441523.06 |
| Klamath Falls No. 1–E | 346.35 | 83.58 | 15.09 | 368.24 | 368.45 | 462844.38 |
| Beaverton No. 48J–U | 382.32 | 10.24 | 24.64 | 308.22 | 535.93 | 3986552.00 |
| Corvallis No. 509J–U | 387.62 | 39.09 | 33.27 | 314.65 | 730.70 | 1366254.00 |
| Eugene No. 4J–U | 395.26 | 39.52 | 11.12 | 359.79 | 438.53 | 4662917.00 |
| Lake Oswego No. 7J–U | 388.42 | 13.87 | 22.07 | 316.70 | 615.98 | 1135234.00 |
| Salem No. 24J–U | 393.74 | 34.33 | 20.42 | 328.75 | 389.97 | 4495823.00 |
| Hood River No. 1–U | 339.71 | 18.41 | 48.42 | 375.65 | 589.34 | 574511.63 |
| Burns UH No. 2–UH | 282.54 | 4.62 | 35.80 | 352.94 | 664.08 | 61615.08 |
| Medford No. 549–U | 383.24 | 18.93 | 18.84 | 324.66 | 248.29 | 1682175.00 |
| Oregon City No. 62–U | 394.33 | 15.72 | 27.09 | 313.00 | 259.57 | 778975.75 |
| Pendleton No. 16R–U | 396.39 | 13.08 | 35.71 | 318.25 | 309.35 | 686161.63 |
| Coos Bay No. 9–U | 441.34 | 43.04 | 35.01 | 323.24 | 325.09 | 1454169.00 |
| Springfield No. 19–U | 408.02 | 32.50 | 23.15 | 359.04 | 367.59 | 2118574.00 |
| Astoria No. 1–U | 324.64 | 21.20 | 26.30 | 312.84 | 701.60 | 151994.75 |
| Ashland No. 5–U | 404.80 | 35.60 | 13.98 | 323.94 | 343.76 | 443647.38 |
| Falls City No. 57–U | 433.05 | 101.31 | 31.68 | 307.80 | 471.14 | 30888.48 |
| Baker No. 5J–U | 286.49 | 25.27 | 23.83 | 336.96 | 390.65 | 112614.75 |
| North Bend No. 13–U | 472.79 | 26.15 | 27.94 | 319.99 | 330.51 | 598603.75 |
| Redmond No. 2J–U | 415.57 | 12.99 | 30.63 | 329.58 | 421.48 | 418146.56 |
| Gresham No. 4–E | 452.27 | 12.78 | 30.84 | 306.47 | 466.46 | 444052.88 |
| Ninety-One No. 91–E | 421.27 | 2.27 | 47.14 | 317.50 | 251.47 | 15940.52 |
| Creswell No. 40–U | 407.74 | 56.70 | 31.07 | 355.86 | 262.04 | 92621.56 |
| Hermiston No. 8–U | 501.84 | 12.12 | 29.74 | 315.01 | 235.62 | 307066.88 |
| Scio No. 95C–U | 363.27 | 31.40 | 47.68 | 335.33 | 177.08 | 22702.56 |
| Reedville No. 29–E | 509.62 | 6.21 | 25.42 | 314.06 | 154.06 | 85883.63 |
| South Umpqua No. 19–U | 342.96 | 27.10 | 30.12 | 414.48 | 238.57 | –104797.38 |
| Oak Grove No. 4–E | 522.26 | 1.09 | 27.00 | 311.04 | 130.22 | 41551.08 |
| Cascade UH No. 5–UH | 459.04 | 24.82 | 42.43 | 314.06 | 357.13 | |
| **ALL DISTRICTS** | | | | | | |
| High | 670.18 | 203.97 | 731.71 | 553.96 | 4240.11 | 4662917.00 |
| 90th %tile | 461.94 | 61.27 | 117.45 | 411.10 | 1350.70 | 444052.88 |
| 80th %tile | 430.19 | 37.56 | 74.20 | 359.04 | 1084.53 | 169019.25 |
| Median | 344.97 | 14.93 | 41.38 | 321.64 | 463.77 | 24253.79 |
| 20th %tile | 0.77 | 0.31 | 26.88 | 313.00 | 245.03 | –4565.66 |
| 10th %tile | 0.0 | 0.0 | 21.48 | 310.10 | 185.35 | –22700.46 |
| Low | 0.0 | 0.0 | 0.0 | 300.00 | –13.04 | –1026039.00 |
| Total or Mean | 325.21 | 39.45 | 29.61 | 331.41 | 478.85 | 53855343.56 |

# CONCLUSION

This chapter has presented four alternative school finance plans for Oregon. The foundation phase-in plan would substantially increase the equity of the state's present foundation program by substituting equalization grants for flat grants, adding a statewide recapture provision, and placing a cap on local school tax effort.

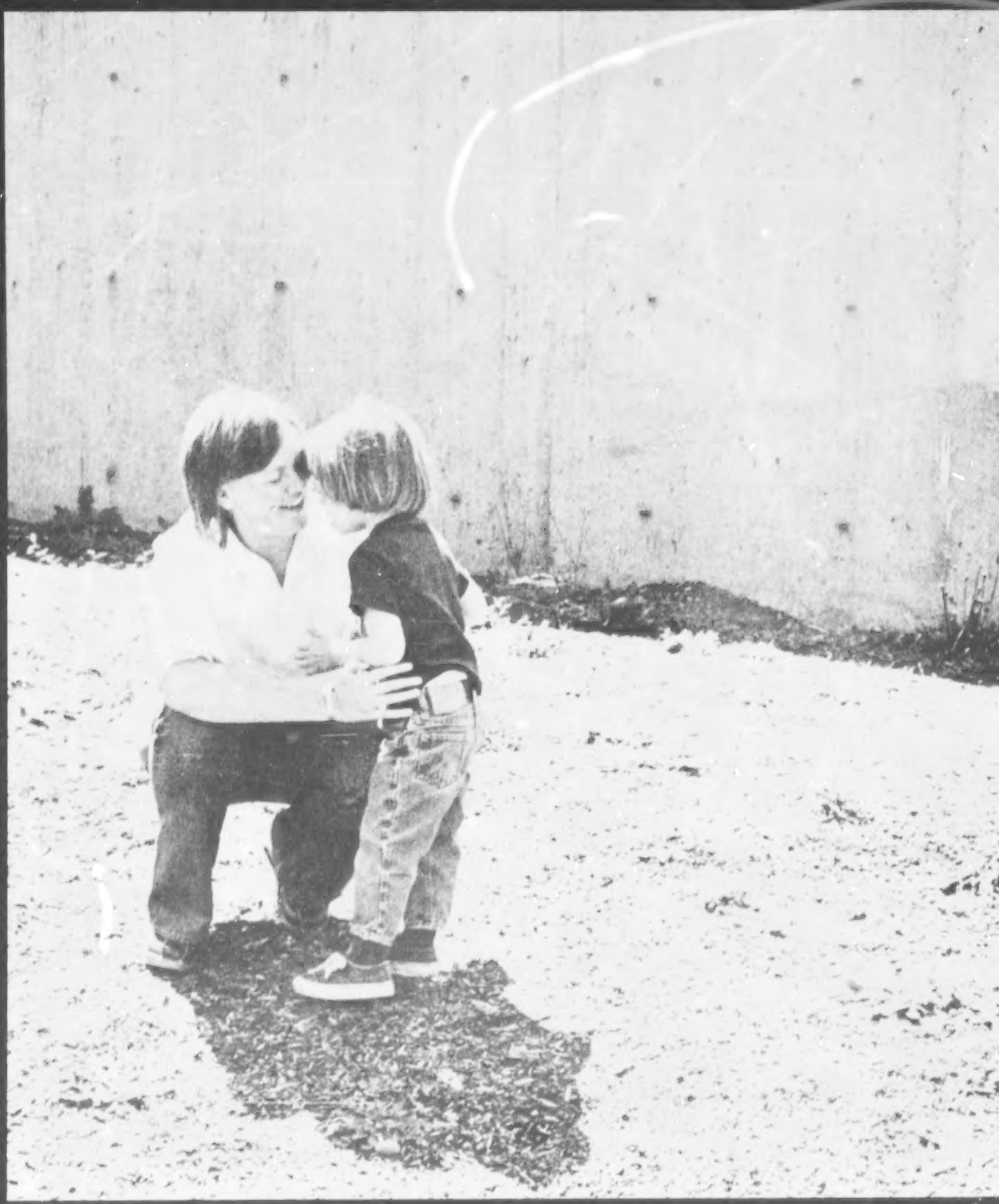
The local guaranteed yield plan would guarantee that every school district which exerts the same local tax effort would have the same number of dollars to spend per pupil. It would allow each school district to decide how much to spend for education, while using state aid to equalize the fiscal ability of local districts.

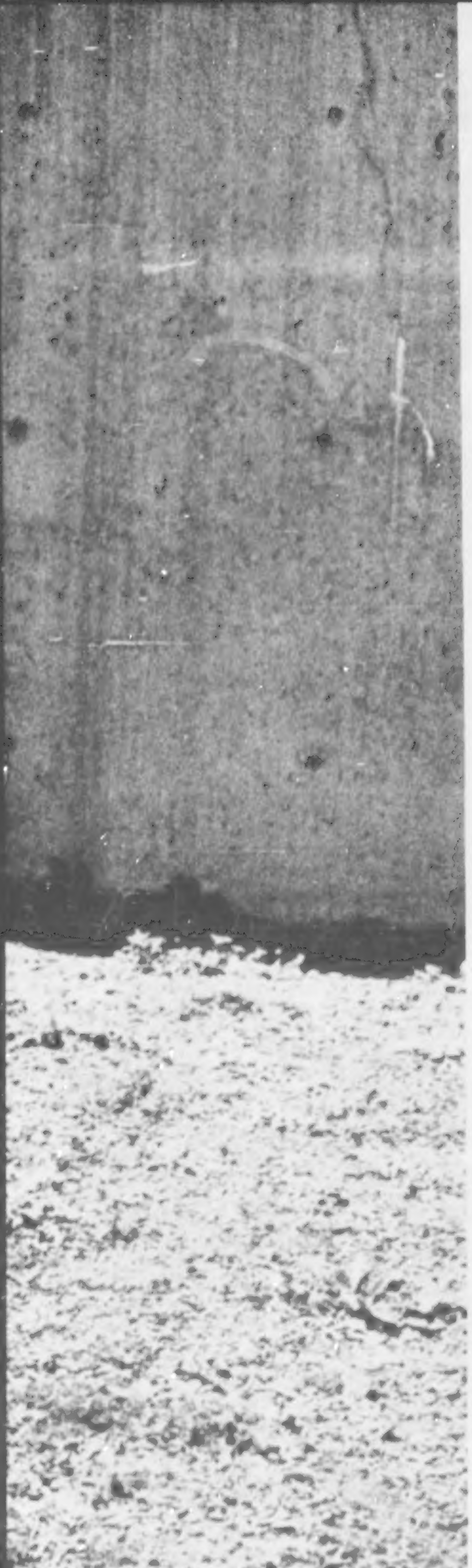
The total tax equalization plan would take into account the total tax burden of local taxpayers by distributing state school aid on the basis of total tax effort rather than school tax effort.

The available wealth equalization plan also adjusts for the higher noneducational costs in some districts. It would do this by adjusting the taxable property value of each district according to the ratio of school taxes to nonschool taxes.

The chapter also has described three possible ways of adding a recapture provision to the state school finance formula.

Each of the plans presented would increase the equity of the present school finance system in Oregon. Each plan, with the exception of the available wealth equalization plan, would give school districts equal ability to finance educational programs, while leaving the choice of educational programs at the local level. Equal pay for equal work is a principle that most Americans respect and understand. A school finance system based on the principle of equal dollars to spend for equal tax effort would also be understood and accepted by most Oregonians.





# 5. ADJUSTING STATE FORMULAS FOR EDUCATIONAL NEED

# INTRODUCTION

The overriding concern in recent court cases involving school finance has been equal access to education. Some state courts have asserted that education should not depend on the wealth of a district, but only on the wealth of the state as a whole.[1] In other words, the state school finance system should be fiscally neutral.

Fiscal neutrality does not require equal expenditures, however. The courts have explicitly allowed variation in local expenditures per pupil when the variations are not wealth-related. For example, districts which exert a greater tax effort can have a higher level of spending. Districts which have exceptional costs (because of more handicapped children, for instance) may also spend more at the same tax effort. In other words, adjustments to state school finance formulas are permitted when they are based on identifiable cost differentials.

An underlying assumption of many court decisions has been that certain fundamental benefits accrue from education and that each child is entitled to equal access to an education which can provide those benefits. Also implicit in some rulings is the understanding that some children will require a greater expenditure of resources to gain the same educational benefits available to other children.

Equal educational opportunity, then, cannot be guaranteed by equalization of fiscal ability alone. Specific educational needs should be taken into account. Any state program directed toward equity must consider those instances where it costs schools more to provide an adequate education. Not all these cases are related to children with special educational needs. There are some areas where the cost of operating schools is higher because of external factors such as the cost of living, the cost of construction, or unusual transportation costs.[2]

It is necessary, therefore, to adjust a basic school finance formula that assures equality of tax effort by including categorical grants or other differential factors. In Oregon we believe additional state expenditures for special education, compensatory education, occupational education, school facilities, transportation, and necessary but costly small schools would substantially improve the equity of the state's school finance system. This chapter describes the specific problem involved in each of these areas and offers alternative methods of dealing with each problem.

It is important to note that many of these adjustments for special educational needs are of particular importance to urban school districts. It is in the cities that the highest concentration of children requiring additional educational services is found. Table 5-1 shows the incidence of children requiring high-cost educational services in the Portland School District, the state's largest central city school district.

As is true of most cities, Portland has a higher percentage of students from poor and socially disadvantaged families than the state as a whole.[3] In 1973-74 Portland, with 13.5 percent of the public school children in the state, had 19 percent of the children from families with less than $2,000 income in Oregon and 30 percent of the children from families receiving AFDC funds. As table 5-1 shows, approximately 24 percent of the compensatory education students in the state are in the Portland district. Federal funds provide support for only 40 to 50 percent of the students entitled to support under federal guidelines. As a result, the Portland district must pick up more than half the costs of the compensatory programs required for the disporportionately large number of socially and economically disadvantaged students enrolled in its schools.

Handicapped children requiring expensive special education programs are also more numerous in Portland. Figures provided by the Division of Special Education of the State Department of Education indicate that Portland has a slightly higher proportion of handicapped students than the state as a whole.

Unusually high demand for career and vocational education also places an extra burden on urban school districts. As more low-income families and racial

table 5-1
INCIDENCE OF HIGH COST PROGRAMS 1973-74

| | Portland 1J | | Rest of State | | State Total |
|---|---|---|---|---|---|
| | No. of Students | % of State Total | No. of Students | % of State Total | No. of Students |
| Total Student Population | 52,569 | 13.5 | 402,342 | 86.5 | 464,911 |
| Title I (Comp. Ed. Students) | 8,472 | 24 | 26,958 | 76 | 35,430 |
| AFDC Recipients (For Title I Entitlement) | 7,106 | 30 | 16,469 | 70 | 23,575 |
| Low Income ($2000 Income In Title I) | 3,717 | 19 | 15,866 | 81 | 19,583 |
| Special Education Students | 4,974 | 17 | 24,160 | 83 | 29,134 |
| Vocational Education Student Receiving Federal Funds | 7,055 | 23 | 23,467 | 77 | 30,522 |

Source: data provided by Oregon State Department of Education.

minorities concentrate in the cities, the number of city students for whom high school is the end of formal schooling increases. Rather than college preparatory programs, these students demand vocational training programs to equip them for jobs. Many vocational programs require special facilities and equipment and must be conducted with small groups of students.[4] These factors naturally lead to higher costs. Under present federal funding arrangements, Portland receives assistance for 7,055 students, or 23 percent of the students enrolled in federally approved vocational education programs.

It should also be emphasized that the programs discussed in this chapter require expenditures beyond those guaranteed by the basic state school finance formula. Some children cannot receive the full benefits of an education unless a district spends more money for their education. Depending on the concentration of these students, the special programs designed for them may drain the local resources of a district. There are also situations in which some districts have to pay more for the same services.

To expect local school districts to assume these added costs does not serve the cause of equal educational opportunity.[5] Either the students will not receive the services or the increased expense must be taken out of the already depleted tax base. In either case it is the children who needlessly suffer.

# SPECIAL EDUCATION*

Any state guaranteeing free public education must deal with the problems of educating the exceptional or handicapped child. Exceptional children are those who differ from the average child in mental, sensory, physical, social, emotional, or communication abilities to such an extent that they require special educational services in order to develop to their maximum capacity.[6]

Meeting the needs of these children is a monumental task which requires higher expenditures per child, because of the need for special facilities and specially trained personnel. Because there are different types of handicaps, several state and federal agencies are often involved. Seldom is there an overall system to deliver special education, and seldom are the resources allocated sufficient.

As with school finance in general, increasing public awareness about the education and treatment of handicapped children and pressure from court cases have caused states to review their approach to special education. In 1973 the Oregon legislature resolved that the mentally retarded and developmentally disabled person has a right to as normal a life as possible. It defined normalization to mean "that despite any limitation, each retarded or developmentally disabled person shall be provided the maximum opportunity to participate in usual living experiences including education, work, and social activities that permit development to his highest potential."[7] Further, the legislature stated that the opportunity for normalization is a birthright of every citizen, as well as a proper investment for the good of society.

The 1973 legislature also repealed the statute that formerly excluded certain mentally and physically handicapped children from the required attendance in full-time public schools. The revised statute required the public schools to provide such children "either home, hospital, institutional or other regularly scheduled and suitable instruction meeting standards of the State Board of Education,"[8] unless such children were already receiving suitable instruction in a state or regional institution.

According to an opinion of the Oregon Attorney General, this legislation requires the public schools to provide regular instruction for virtually every mentally or physically handicapped child in the state. "The philosophy of the new law clearly is that if a child is unable for health or other reasons to attend schools, the district must otherwise provide for his instruction."[9]

This obligation, the opinion stated, was not contingent upon the availability of any state program. If the school district does not or cannot provide suitable regularly scheduled instruction "it cannot escape the obligation imposed by [the legislation]. There is no out for the school district; it must meet its obligation to the child under the statute as amended."[10]

The state of Oregon has admirably affirmed the right of handicapped children to an adequate education, but at the same time it has placed the major fiscal burden of meeting this obligation on the local school district. Without financial help from the state and the federal government, many local districts have been unable to raise enough money to provide these legislatively mandated programs.

Implicit in the new statutes, then, is a need to reform the state system of grants for special education. In 1972-73 approximately $17 million was spent on special education in Oregon. Of this amount, 10.4 percent came from federal sources, 30.1 percent was contributed by the state, and 59.4 percent was provided by the local districts. In the same year the state served 32,182 handicapped children (but estimates indicate this was only about two-thirds of the handicapped children in the state). Presently there is no overall framework for delivery of special education, and the level of funding does not cover all of the extra costs of special education programs. Also, the limited information available indicates there are inequities in the distribution of state grants.

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*The authors wish to acknowledge the assistance of Mr. Rudolph Marshall in the preparation of the section on special education.

It appears there will be more federal money available to states for special education.[11] But if the intent to provide education for every handicapped child in the state is to be carried out, these additional federal appropriations will be insufficient. Consequently, it will be up to the state whether every handicapped child has access to an appropriate special education program or is effectively denied access to such programs.

## The Oregon Situation

Oregon's handicapped population is served through five acts of legislation: the Handicapped Children Law, the Mentally Retarded Children Law, the Emotionally Handicapped Children Law, the Trainable Mentally Retarded Law and the Children's Mental Health Services Law. The first three are administered by the Superintendent of Public Instruction, the fourth and fifth by the Mental Health Division. Each of these laws involves separate and different funding mechanisms which evolved independently. In addition, the state operates six regional facilities for deaf, blind and physically handicapped youths and six hospitals for physically handicapped children.

The Handicapped Children Law is intended to reimburse school districts for the extra cost of educating the handicapped child.[12] However, the statutes limit this aid to one and one-half times the school district's per-capita expenditures. Claims are made by local districts on the basis of their previous year's expenditures. When categorical funds are not adequate to pay claims in full the claims are subject to prorating (this is usually the case). In 1972-73 the state provided over $1.3 million through this statute to help finance programs for more than 24,000 children.

The Mentally Retarded Children Law reimburses school districts on a flat grant basis. Districts receive a maximum of $4,000 per special class. Like the handicapped programs, claims are submitted based on the previous year's expenditures. This law also calls for prorating if funds are insufficient to pay the full amount of all approved claims. In 1972-73, the state provided over $1.4 million to help finance programs for 4,454 educable mentally retarded children.

Reimbursement under the Emotionally Handicapped Children Law is made on a special class and approved budget basis. Unlike the above programs, it controls the amount of state aid through prior approval of cost estimates for each operating year; there is no direct aid limitation or proration feature. In 1972-73 the state spent $50,000 on programs for 63 children covered under this law.

Regional facilities and other special programs enrolled 1,779 children for 1973-74. The state expended over $1.5 million in 1972-73 on these programs.[13]

In addition to the above programs, the Mental Health Division provided services to 1,516 trainable retarded children in 1973-74 through contracts with general hospitals and public or private day care and residential treatment programs. The division spent approximately $800 thousand on these services in 1973-74.[14]

The funds available under these various statutes and from federal sources are dispersed to hospital or regional facilities, private institutions, intermediate education districts and local school districts who are then charged with the delivery of various services. In 1972-73 approximately $1.8 million from Federal sources and $10.2 million from state sources was spent on services for these children.

### THE NUMBER OF HANDICAPPED CHILDREN

Information on the needs and location of the 32,182 children served in Oregon in 1973-74 is available and appears to be reasonably reliable. However, information on the severity of these children's handicaps and all information about children not being presently served is wanting. The Regional Resource Center in Eugene estimates that 9.96 percent of Oregon's school-age population is handicapped. The Oregon State Department of Education has at least two estimates of the percent of children needing special services. Explicitly, the department estimates that 19.8 percent of the school-age population is handicapped. However, in a report that identifies the number of handicapped children (instead of percentage), the estimated number is approzimately 11.39 percent of the total school-age population.[15] The latest figures issued by the U.S. Office of Education indicate that 10.035 percent of the American school-age population is handicapped, and various other researchers have estimated that between 8.69 percent to 35.05 percent of the schoolage population to be in need of special services. Table 5-2 compares and contrasts each of these estimates.

Column seven of table 5-2 presents estimates which we have used in our analysis. While there seems to be no general consensus on any of these estimates, we feel that those in column seven reflect the proper order of magnitude.

The total school-age population (ages 5-19) to which this 10.14 percent rate applies was estimated at 497,000 in 1973-74.[16] Based on these assumptions, Oregon's total would be 50,395 handicapped children. Caution should be exercised in using any of these estimates, however. For one thing, they do not necessarily mean that the estimated number of children actually need special services. There is also uneven geographical distribution of handicapped children, since parents of handicapped children often migrate to communities where special programs exist. Thirdly, the term "learning disability" is so broad as to be practically meaningless. For this reason we feel that the difference between our estimate of 1 percent and the State Department of Education's estimate of 10.5 percent for the incidence of children with learning disabilities is largely definitional. However, the cost of services to such children is relatively small, so the fiscal impact of increasing our estimate by two or three percent would be minor.

We found that program availability and content information and manage-

table 5-2

**ESTIMATES OF HANDICAPPED CHILDREN**

| Handicapping Condition | 1[A] | 2[B] | 3[C] | 4[D] | 5[E] | 6[F] | 7[G] |
|---|---|---|---|---|---|---|---|
| Educable Ment. Retarded | 1.3 | 1.62 | 2.3 | 1.29 | 1.93 | 2.3 | 2.07 |
| Trainable Ment. Retarded. | .24 | .14 | NE | NE | NE | NE | (1) |
| Multihandicapped | .07 | NE | .06 | NE | NE | .07 | NE |
| Homebound | NE | .07 | NE | NE | NE | NE | NE |
| Crippled & Phys. Hand. | .21 | .07 | .5 | .94 | .5 | .5 | .5 |
| Speech Impaired | 3.6 | 3.07 | 3.50 | 3.5 | 3.8 | 3.5 | 3.5 |
| Hearing Impaired | .10 | .36 | .575 | .14 | .5 | .575 | 50 |
| Visually Impaired | .05 | .07 | .10 | .04 | .07 | .1 | .07 |
| Emotionally Handicapped | 2.0 | .09 | 2.0 | 1.81 | 2.0 | 2.0 | 2.0 |
| Learning Disabilities | 1.12 | 4.47 | 1.0 | 3.67 | 10.5 | 26.0 | 1.0 |
| Pregnant Teenage Girls | NE | NE | NE | NE | .5 | NE | .5 |
| **TOTAL** | **8.69** | **9.96** | **10.035** | **11.39** | **19.8** | **35.045** | **10.14** |

**A.** This estimate was used in a study entitled *Educational Programs for Exceptional Children: Resource Configurations and Costs* by Rossmiller, R.A. et al., for the National Educational Finance Project, Special Study No. 2, Department of Educational Administration, University of Wisconsin, Madison, Wisconsin, August, 1970, p. 121.

**B.** Estimate used by the Regional Resource Center, University of Oregon, Eugene, Oregon. Estimates are specifically for the State of Oregon and are based on data from FY 1972, Council for Exceptional Children (CEC) reports. The CEC gathers its information from state departments of education.

**C.** Estimated for age 5-19 youths in 1969. U.S. Department of Health, Education and Welfare, (Handicapped Children in the U.S. and Special Education Personnel Required—1968-69 estimated) Bureau of Education for the Handicapped, August, 1970.

**D.** Estimate obtained from data in an Oregon State Department of Education report entitled "Special Education Programs, Handicapped Child Program *and* EMR Program 1972-73 School Year." Data on number served and number not served were added and divided by 497,000, the reported school-age population.

**E.** Oregon State Department of Education estimate (letter dated May 31, 1974 to the Committee on Equal Educational Opportunity).

**F.** Estimate cited but not used by the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education, *The Fleischmann Report*, volume II, p. 260 (Viking ed.)

**G.** Estimate used in this report—a combination of estimates by the Regional Resource Center, (column 2) USOE (column 3) and the Oregon State Department of Education (column 5).

table 5-3

**SPECIAL EDUCATION PROGRAM POPULATIONS FOR 1972-1973**
**(Handicapped Child and EMR Programs Statistics)**
**(School Age Population . . . 497,000)**

| Type of Handicap | Est. Total No. Children With This Handicap | No. Being Served | % Served |
|---|---|---|---|
| Mentally Retarded | 10,288 | 5,970 | 58 |
| Deaf and Hard of Hearing | 2,485 | 1,269 | 51 |
| Visually Handicapped | 347 | 290 | 84 |
| Crippled & Chronically Ill | 2,485 | 1,872 | 75 |
| Emotionally Disturbed | 9,940 | 225 | 3 |
| Extreme Learning Problems | 4,970 | 8,759 | 176 |
| Speech Handicapped | 17,395 | 13,583 | 78 |
| Pregnant Girls | 2,485 | 214 | 9 |
| TOTALS | 51,538 | 32,817 | 64 |

Source: Estimated population was derived from incidence rate in table 5-2, column seven. Number being served was taken from letters to the committee from the State Department of Education (dated May 31, 1974) and from the State Mental Health Division (dated October 18, 1974).

ment data that could aid in program evaluation are not readily available. Complete and reliable per-pupil expenditure data on a program-by-program basis are also not available.

### EQUITY OF THE PRESENT SYSTEM

The incomplete data available on special education in Oregon reveal considerable variation in accessibility to services among different programs and extreme variation in per pupil expenditures within programs. Table 5-3 shows the variation in services to children with a given handicap. In reviewing this table the reader should keep two facts in mind. First, the estimated numbers of children with a given handicap are just that — estimates. Estimating that there are 2,485 children with hearing problems while only 1,269 are receiving services does not necessarily mean that 1,216 children have problems for which service is not available. Secondly, the areas of mental retardation, learning disability and emotional handicaps are not clearly distinguished from each other by universally accepted pupil characteristics or medical symptoms. Hence, the judgment and training of the person evaluating a child determines in which of these three handicap categories the child will be placed. These three categories probably should be viewed in the aggregate. Viewed in this manner, the state is providing services for 14,954 out of approximately 25,198 (or 59 percent) of these children.

Nonetheless, the gap between serving 59 percent of these children and 78 percent of children with speech handicaps is considerable. We could not determine from available data the exact status of services for pregnant teenage girls. Some of these girls are receiving care in a private residential setting or in foster care through Children's Services Division, while others have chosen to remain home throughout their pregnancy. The figure in table 5-3 is only reflective of those receiving services through the public schools.

Table 5-4 presents a per pupil breakdown of the actual claimable expenditures incurred by various school districts in their programs for the educable mentally retarded in 1972-73. The dis-

table 5-4

ACTUAL EXPENDITURES PER PUPIL ON CLAIMABLE PROGRAM COMPONENTS (Teacher's salary, Transportation of Children, Special Supplies) for Various Oregon Educable Mentally Retarded Programs for 1972-73

| School District | Total No. Pupils in Program | Per Pupil Expenditures |
|---|---|---|
| Portland | 686 | $1,097 |
| Salem | 308 | 940 |
| Eugene | 175 | 1,077 |
| David Douglas | 165 | 779 |
| Springfield | 130 | 927 |
| Beaverton | 104 | 809 |
| Klamath Falls | 66 | 623 |
| Corvallis | 56 | 1,092 |
| Pendleton | 53 | 757 |
| Lake Oswego | 50 | 1,110 |
| Forest Grove | 48 | 843 |
| Hood River | 33 | 1,196 |
| Baker | 32 | 828 |
| North Bend | 21 | 934 |
| Madras | 11 | 1,861 |
| Milton-Freewater | 10 | 1,074 |
| Myrtle Point | 10 | 771 |

Source: Data in this table are from two State Department of Education reports that the Department of Special Education provided to the committee on Equal Educational Opportunity. The first is entitled *Special Education Reimbursement Comparison of Formulas Proposed – Present 1972-73*; the second report was contained in a letter to the committee dated June 19, 1974.

tricts listed in the table were selected as examples of the variation in per pupil expenditures.

As can be seen from table 5-4, extreme variation was found: up to 2.4 times as much was expended by one district than another for a program that involved practically the same number of children. However, without data on the severity of the retardation of the children within each of the programs, and without information on additional costs of EMR programs not claimable under the present statute (e.g., expenditure for teacher aide or psychological service), meaningful comparisons cannot be firmly documented.

Two statutes provide state monies for services to emotionally handicapped children—the Handicapped Children Law and the Emotionally Handicapped Children Law. In 1972-73, 162 emotionally handicapped children were provided services under the Handicapped Children Law. We estimate that the state reimbursed local districts $55 per child served under this statute. Under the Emotionally Handicapped Children Law, which served 63 children in 1972-73, we estimate that the state reimbursed the four participating districts an average of $793 per student—or about 14 times as much. Part of this difference is due to the fact that we were forced to use the average handicapped child reimbursement for all children covered by this statute, rather than the amount spent on programs solely for the emotionally disturbed. However, it is our opinion (and that of State Department of Education officials) that children served under the Emotionally Handicapped Children Law are in much higher cost programs than children served under the Handicapped Children Law. The reason that all districts are not being reimbursed under the Emotionally Handicapped Children Law is that the first four districts to have programs approved under this law used up all the appropriated funds.

### SUMMARY OF PRESENT SITUATION

We estimate that approximately 50,400 Oregon school-age children needed special education services in 1972-73, of which about 32,200 (or 64 percent) received services. Approximately $17 million from federal, state and local sources was expended to provide those services. The State of Oregon's share of that total was about $5.1 million (or 30.1 percent), while the federal government's share totaled 10.4 percent and the local share was 59.4 percent. Essentially, five acts of legislation plus regional and state hospital appropriations account for disbursement of the state's share.

We found that:

1. There appears to be considerable variation in accessibility to services among handicaps and that there is evidence of extreme variation in per pupil expenditures for programs at the local level.
2. The state reimbursement systems for emotionally handicapped youngsters appear to be basically unequal. Considerably more state monies per child are disbursed under the Emotionally Handicapped Children Law than under the Handicapped Children Law.
3. Information about present program availability, content and cost is not readily available on a program-by-program basis.
4. No one agency is charged with keeping track of the many agencies that provide services to students with special needs. For example, in testimony before the Committee on Equal Educational Opportunity, the Children's Services Division noted that they also provide services to some educable mentally retarded youngsters.
5. There is no uniform agreement on the incidence of various handicaps in Oregon. The greatest conflict in this area concerns the percentage of children with learning disabilities. However, we do not view this as a major problem. It would appear that such a rate is almost arbitrary.

## Special Education Finance Issues[17]

Past discussions on special education finance have tended to revolve around the following four issues:

figure 5-1
PLACEMENT OF HANDICAPPED CHILDREN

| Special Education Placement Options | Type of Handicapping Condition and Severity of Educational Problem |
|---|---|
| 1. Most learning problems handled in the regular classroom | mild |
| 2. Regular classroom with consultation | |
| 3. Regular classroom with supplementary teaching or special services | |
| 4. Resource room plus regular classroom | |
| 5. Part-time special class | |
| 6. Full-time special class | moderate to severe |
| 7. Special day schools | severe |
| 8. Hospital schools | |
| 9. Residential schools | |
| 10. Home instruction | temporary or permenent handicap which prevents school attendance |

1) The programming issue—Since all programs are not the same, a framework (whether explicit or implicit) is necessary to categorize what educational services can or should be offered.

2) The cost determination issue—There are a couple of different bases for establishing costs and determining need.

3) The funding level issue—The level of a state's participation in the funding of special education programs may influence the services offered by local districts.

4) The funding formula issue—The scheme by which a state allocates funds may create incentives that either complement or distort state educational policies.

Special educators tend to focus on issues one and four, while school finance people gravitate toward numbers two and three. Very little attention is devoted by either group to the first issue's relation to finance. Yet the programming issue is central; it constitutes the conceptualization of what the state is actually financing. Issues two, three and four logically emerge from the programming issue. Sound fiscal planning necessitates that each of these issues be discussed in a rational fashion. One systematic way for the state to approach special education finance is to first determine what programs it needs or wants to finance, then determine the total cost of providing these programs, and finally decide upon the funding level and an appropriate funding formula.

## PROGRAMMING

Although actual practice reveals that all special education programs are not alike (even for children with the same handicaps), only lately have school finance formulas begun to take account of the cost differentials between various program alternatives. For example, Florida's 1973 school finance law recognizes the cost differences between various programs by varying pupil weightings not only between handicaps but also among pupils with the same general handicap. There are two classifications and two weights, for instance, for emotionally disturbed and learning disabled children. New Mexico's 1974 school finance law weights program units (not pupils), depending on whether the program is primarily an itinerant teacher arrangement, a resource room configuration, a special class for moderate handicaps or a special class for severe handicaps. The commissioner of education's office in Massachusetts proposed in October 1974, that special education program funding be based on the number of full-time-equivalent students in the program multiplied by a weighting factor which varies depending on whether the student is partially integrated in the regular program, substantially separated from the regular program, educated in a separate day school, or required to attend a residential school.

Many other states offer a variety of program arrangements without taking explicit account within their finance formulas of cost differentials among the programs. Colorado varies its program offerings partly by the severity of the given handicap. Generally mild handicaps are served through itinerant teacher programs, moderate handicaps through resource room arrangements and severe handicaps through special class arrangements. In Minnesota emotionally disturbed children are provided five alternative programs: itinerant teacher, resource room, special class, individual caseload and small group instruction. Ohio offers itinerant teacher, resource room and special class arrangements for its visually handicapped children.

The effect on the funding of various program alternatives in states that do not take explicit account of the cost differentials is realized by adjustments in allowable class size. For example, in Illinois, which offers both a school social worker program and a special class program for emotionally maladjusted children, the allowable class size for the special class is one-half that of the social worker program. Such class size variations are eventually reflected in the amount of state funds allocated to districts operating "approved" programs.

Thirty-eight states report having some range of program alternatives to meet the varied educational needs of their handicapped children.[18] However, the options vary greatly from state to state. While Vermont reports six program approaches to deal with learning disabled children, its neighbor, Maine, lists only one program approach. For a state that wishes to provide appropriate services for its handicapped population and do so in the most cost-effective manner, it would seem that some guidance as to which programs could be offered would be helpful.

A review of special education literature reveals that a number of special education theorists have also been advocating development of a conceptual framework for consideration of special education problems. Such a framework would delineate a possible range of program alternatives that could be offered to handicapped children. Analysis of such a framework might also reveal characteristics that need to be considered in financing special education programs.

The most common scheme in the literature (and the one recommended by the Oregon Task Force on Special Education) for determining the placement of handicapped children is presented in figure 5-1.[19]

As one proceeds down the list of alternatives, several tendencies may be observed:

1. The programs are designed to meet increasingly complex educational needs.
2. The demand for additional and more specialized personnel increases.
3. Programs become more expensive as a result of higher personnel costs.

The major feature of this scheme is that it presents a broad range of educational programs for exceptional children in an organized fashion. While the choice of program options may vary according to individual state preferences; the development of a program hierarchy nonetheless helps state policy makers visualize exactly what programs the state intends to finance.

It is not necessary for the state to fund each program alternative separately, nor to mandate that such programs be offered in every district. However, it is important to understand that program costs will vary not only as a function of the handicap but also as a function of the program option that best meets the needs of the individual handicapped child. If funding is to reflect costs, the state's reimbursement of local districts should reflect the cost of the different program options.

## COST DETERMINATION

Once the array of program alternatives is identified, a means of determining the cost of each alternative must be established. Currently, costs generally are determined by empirical or theoretical means, or by a combination of the two.

The National Educational Finance Project has undertaken numerous empirical studies of special education costs. These studies, which include the states of Delaware, Kentucky and South Dakota, utilize data from actual school systems to estimate how much special education programs cost in relation to general education. For example, the NEFP researchers found that educational programs in Delaware for emotionally disturbed children cost an average of 1.92 times as much as general education programs in that state. Two major drawbacks of such studies (which the NEFP researchers point out) are that the relative cost of various program options are often not considered when developing the cost index, and that such empirical studies do not indicate how wisely or efficiently funds are being expended for either regular or special education.

Cost indexes can also be based on theoretical judgments of legislators and educators. For example, the state of Ohio estimated its total additional need for special education funds by defining class sizes for various handicapped programs, then dividing the class size by the estimated total number of children in need of each program to calculate the number of teachers or specialists to be hired. They then multiplied by the average cost for each category of personnel to determine total needed funds. A 1973 conference sponsored by the Council for Exceptional Children used a similar approach. They first defined an array of program alternatives, then estimated the number of children with a given handicap who should be served by each option and established pupil-teacher ratios for each option. Then they computed the number of personnel needed and multiplied this number by the average salary for each category of personnel to arrive at an estimated total cost. Since the theoretical approach is based on determination of the ideal class configuration and size, it is only as good as the conceptualizations of those people charged with determining the ideal class.

The best approach is probably some combination of empirical data and judgmental opinion. The state need not mandate class size or local educational resource configurations. The state of Ohio, for example, involved each of its school districts in the process of determining class size and related educational program decisions. The state can decide what programs it wishes to fund and the cost of such programs in order to decide on the amount of funds it needs to allocate, but each district should be allowed to tailor its programs based on local need or expertise. Because the state of the art in educational programming does not permit determination of the one best program, such leeway at the local level is advisable.

## FUNDING LEVEL

There has been considerable discussion on the proper level of state support for special education. In Oregon, these discussions have mostly centered on whether the state should pay 50 percent, 80 percent or 100 percent of the excess costs.

Perhaps the issue should not be the percentage of state support, but rather, equalizing local contributions. If the state were to reimburse all local districts for 80 percent of the determined costs, some districts could raise the additional 20 percent much more easily than others. Special education funding should be at 100 percent of determined need and arranged to allow local districts to place children in the program option that best meets the child's needs. Otherwise, property-poor districts may be forced to place children in low cost programs regardless of their educational need. The exact level of federal, state and local support may have to be determined by whether handicaps are evenly distributed among school districts; if they are unevenly distributed, a good argument can be made for 100 percent federal and state support.

## FUNDING FORMULA

There are several alternative funding mechanisms presently being used to finance special education, including unit financing, percentage reimbursement, personnel reimbursement, straight sum reimbursement, weighted pupil formulas and excess cost plans. (The technical supplement at the end of this section describes each of these schemes and lists states using each of them.) It should be noted that these schemes are not entirely distinct from one another, one approach may closely resemble another, depending on the particular provisions associated with a given state formula.

In fact, if a state carefully determines the total cost of special education programs according to defined program options and then appropriates the necessary funds, the choice of funding schemes does not seem to be critical. In order to do this, the state needs to:

- identify the overall handicapped population to be served (In doing so it would have had to establish incidence figures for each handicapping condition.)
- establish and define the program alternatives
- estimate the number of children that would best be served by the various program options
- establish the cost of each option for each handicap category
- determine the total cost of providing services for the entire handicapped population

If the state has done all of the above, the reimbursement formula makes little difference, because all the programs will be reimbursed according to the defined need of each child. Unit reimbursement is based on the program option needed and weighted formulas require cost ratios for each of the possible program options; excess cost formulas reimburse local districts for extra costs above the cost of programs for nonhandicapped children; and per pupil reimbursement is based either on the full cost of each option, the personnel costs of each option or a straight sum for each handicap and program option. Nonetheless, the same amount of funds would be made available under each method.

In Oregon approximately 75 percent of the handicapped children are now being funded under the excess cost method. If local district fiscal ability is equalized, by the adoption of one of the distribution plans described in chapter 4, there is no need to change from the excess cost method. We therefore recommend that Oregon continue the excess cost approach but base it on a program alternative framework that recognizes that handicap program costs vary by both the handicap and the severity of the handicap. The details of the actual scheme should also address the criteria considerations presented earlier in this report.

## The National Picture and the Federal Role

A recent national study conducted by the Rand Corporation for the Department of Health, Education, and Welfare identified over 50 major federal programs providing services to handicapped youth.[20] Most of these were within the Department of Health, Education, and Welfare, but agencies as dissimilar as the Library of Congress and the Department of Defense also have such programs. Nearly $5 billion has been expended annually by all levels of government on exceptional children in the 1970s, and over 56 percent of this total was spent on special education services. Problems with the present national service system for exceptional children fall within five major classes:

1. **insufficient knowledge**—concerning how many children are handicapped, the nature and severity of their handicaps and where in a given state these children reside.
2. **inequity**—with regard to access and level of services.
3. **gaps in certain critical services**—such as preventive, identification and referral services.
4. **inadequate control**—due to the large number of institutions dispensing funds and services and the lack of program effectiveness data.
5. **insufficient resources**—only 59 percent of those children assumed to be in need of services were actually receiving them.

Presently there are two bills before Congress (H.R.70 and S.6) that would make a substantial increase in the federal financial contribution toward the education of handicapped children. Both of these bills would aid the states in financing the "excess costs" of educating handicapped children. The bills would pay approximately 75 percent of the amount by which per pupil expenditures for handicapped children exceed per pupil expenditures for all other children. While the outlook for both of these bills is uncertain, it seems safe to say that an increase in federal support of programs for the handicapped seems likely. States that are able to clearly demonstrate their special education needs will be in the best position to effectively utilize any such increases.

## Summary of Recommendations

1. We recommend that Oregon serve its entire handicapped population and fund special education on an excess cost basis based on a program alternative framework similar to that presented in this report.

We estimate that $5.9 million would be required in new federal, state or local dollars to meet the needs of all of Oregon's handicapped children. If the state were to assume all of these costs plus the present local share, the cost to the state would be $16.1 million. However, any new funding level should be reached gradually (possibly over a six-year period) to allow time for proper planning and implementation. Our cost estimate is based on the state's present funding level, our estimate of the population to be served and a predicted savings of 12.5 percent through adoption of a program alternative arrangement.[21] We assume the federal share, which was about 10.4 percent in 1972-73, will remain constant (however, the outlook is for an increase in federal monies).

The proper mix of federal, state and local funds is hard to determine. However, equity among program offerings for handicapped children of different school districts is as important as equity among offerings for regular children of different districts; the quality of education should not be a function of the district's local wealth. Special education finance provisions should reflect, in some fashion, those for general education. (A breakdown of our cost analysis is included in the technical supplement of this section.)

2. We recommend that the Oregon State Legislature direct the State Department of Education to establish a hierarchy of program alternatives for handicapped children and that the legislature appropriate $75,000 to conduct a study for this purpose. This study should involve state and local district people, should be completed by January 1976, and should address the following areas:

a. assessment of incidence rates for various handicapping conditions in Oregon with attention to the geographical distribution of these handicapped children

b. establishment of program alternatives and the associated cost of each of those alternatives

c. assessment of the percentage of each handicap category that would best be served by each program alternative

d. recommendation of a comprehensive plan for local districts to meet the needs of handicapped children, including cooperative arrangements between local school districts and state agencies

e. recommendations on the best funding scheme for Oregon, as well as comments on the need for special provisions to counteract uneven geographic distribution and the advantages of advance funding as opposed to the present payback funding method

f. assessment of the need for trained teachers, local administrators and state administrators to meet the demands of the delivery system

g. recommendation on the proper phase-in period, based on such factors as need for additional teachers and/or need for retraining of present personnel

h. assessment of the status and need for early childhood programs for handicapped children.

We feel that such a study is necessary to insure that additional funds will be spent in an adequate and effective manner. Recent experience in Massachusetts, which funded a program for handicapped children before studying the manner in which such monies should be spent, dramatizes the need for adequate planning and involvement in Oregon.[22]

3. We recommend that only one reimbursement formula be used to meet the educational needs of Oregon's handicapped population.

Presently the Emotionally Handicapped Children Law and the Handicapped Children Law reimburse local programs for children with emotional handicaps. We feel that this is not only illogical but also results in unequal amounts of state funds being spent on children with similar needs.

4. We recommend that the program for trainable mentally retarded children remain under jurisdiction of the Mental Health Division, but that a closer relationship be built between the Mental Health Division and the State Department of Education.

We feel cooperation is necessary between all departments and agencies providing services to handicapped children in Oregon. A central clearing house for information on special education programs and the number of children who need various programs would greatly aid state decision making. Presently, it appears that agencies are hard pressed to identify this information for their own programs, let alone other agencies' programs. Total assessment is needed—both public and private—in order to identify needed services.

## Technical Supplement

### FUNDING FORMULAS

**Unit Financing**

Under a unit financing procedure school districts are reimbursed a fixed sum by the state for each designated unit of classroom instruction, administration and transportation. In Ohio, for example, the state first prescribes a pupil teacher ratio for the various categories of handicapped children. They then divide the total number of children in each category by the prescribed class size to arrive at the number of "units" of each category. Reimbursement to local districts provides a set amount of money for a teacher and other operating expenses for each of these units. The state of Delaware utilizes a similar approach. Oregon's methods of reimbursement under the Mentally Retarded Children Law and Emotionally Handicapped Children Law fall into this general category.

**Percentage Reimbursement**

Under a percentage reimbursement program, a percentage of all special education costs incurred by school districts is assumed by the state. An example of this procedure is employed by Wisconsin. Consultants from the Wisconsin State Department of Public Instruction approve the cost of teachers' salaries, pupil transportation, special books, special equipment and other educational items for handicapped children. The state then pays 70 percent of these approved costs, with a few exceptions, such as a ceiling of $300 per unit for special books and equipment.

**Personnel Reimbursement**

Personnel reimbursement offsets the costs incurred by local districts hiring special staff. Illinois operates under this type of scheme. In 1971-72, for example, Illinois paid a maximum of $5,000 for each special education teacher, school psychologist, full-time special education teacher, or other professional worker. In addition, the state paid either one-half the salary or $2,000 (whichever was less) for each noncertified person employed in special education programs. In order to qualify for these funds, local districts have to obtain approval for their programs from the Illinois State Superintendent of Public Instruction, who is charged with prescribing standards for special education programs.

**Straight Sum Reimbursement**

Under a straight sum funding scheme, the state reimburses local districts a set amount of money for each handicapped child but the amount often varies according to the handicap. Arizona is an example of this type of scheme. In 1971-72, Arizona reimbursed local districts $380 for each educable mentally retarded child, emotionally handicapped child, or physically handicapped child. In addition, the state provided $590 per multiply handicapped child, $690 per trainable handicapped child and $526 per homebound child. The state prescribes eligibility requirements and specific procedures to identify such pupils in order to obtain state aid.

**Weighted Pupil Formulas**

The weighted formula system reimburses local districts for regular per pupil expenditures, multiplied by a factor which may vary by disability. Typically, a state operating under this scheme uses such an approach for its overall finance system. For example, in Florida a regular student in grades four through ten is given a weight of one. Students in other grades or in other categories (e.g., vocational students and handicapped students) are weighted at some figure above one to reflect the greater cost of providing services to these students. The state then sets a base reimbursement figure for normal students in grades four through ten and multiplies this figure by the weights for students in the other categories. For example, if a weight of 1 equals $579 and an educable mentally retarded child has a weight of 2.3, the reimbursement figure for each trainable mentally retarded student is $1,231 (2.3 times $579). Florida utilizes 15 different weightings for handicapped students. Utah, which adopted a weighted approach in 1973, has ten different weights for handicapped children.

**Excess Cost Formula**

Under the excess cost formula, school districts determine the per pupil cost of educating a handicapped child and then subtract the cost of educating a nonhandicapped child in the same district. A percentage of the difference is then reimbursed by the state. The states of Iowa and Tennessee, among others, utilize this approach. In Tennessee the state share is 100 percent of the excess cost, as long as such excess does not exceed $300 per child.

## COST ESTIMATE FOR HANDICAPPED EDUCATION IN OREGON TO SERVE 100 PERCENT OF THE CHILDREN NEEDING SERVICES

**A. Estimated Incidence Rates and Estimated Population being Served**

| | No. Being Served | Est. No. Handicapped Children |
|---|---|---|
| Educable Mentally Retarded | 5,970 | 10,288 |
| Trainable Mentally Retarded | included in EMR | – |
| Multi-handicapped | – | – |
| Homebound | – | – |
| Crippled & Physically Handicapped | 1,872 | 2,485 |
| Speech Impaired | 13,583 | 17,395 |
| Hearing Impaired | 1,269 | 2,485 |
| Visually Impaired | 290 | 3,347 |
| Emotionally Handicapped | 225 | 9,940 |
| Learning Disabilities | 8,759 | 4,970 |
| Pregnant Teenage Girls | 214 | 2,485 |
| **Totals** | **32,182** | **53,405** |

**B. Federal, State and Local Funds Expended in 1972-73**

| **Federal** | | **State** | |
|---|---|---|---|
| Title I | $462,289 | Mentally Retarded Children Law | $1,449,751 |
| Title III | 231,256 | Handicapped Children Law | 1,343,384 |
| Title VI-B | 240,955 | Emotionally Handicapped Children Law | 50,000 |
| Title VI-C | 142,300 | Regional & Special Programs | 1,517,484 |
| Voc. Ed. | 191,000 | Mental Health Division (MHD) | 800,697 |
| | 171,000 | **Total** | **$5,161,316** |
| Title VI-D | 42,906 | | |
| Title I (MHD) | 240,340 | | |
| CSD (MHD) | 57,818 | | |
| **Total** | **$1,779,864** | | **$5,161,316** |

| **Local** | | **Total** | | **%** |
|---|---|---|---|---|
| Mentally Retarded Children Law | $2,666,667 | Federal | $1,779,864 | 10.4 |
| Handicapped Children Law | 6,194,413 | State | 5,161,316 | 30.1 |
| Emotionally Handicapped Children Law | 51,809 | Local | 10,219,786 | 59.5 |
| Mental Health Division Programs | 1,306,887 | **Total** | **$17,160,966** | |
| **Total** | **$10,219,776** | | | |

**C. Cost Projection Analysis**

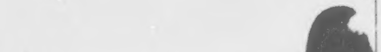
| | |
|---|---|
| 1. Present Expenditures (federal, state, local) | $17,160,966 |
| 2. Percent of present population being served (32,817/51,538) | 63.8% |
| 3. Projected cost to serve entire handicapped population given present delivery system (17.1 million divided by 63.8%) | 26,898,066 |
| 4. Savings from new program alternative framework (12.5% times $26,388,888) | 3,352,258 |
| 5. Projected total cost to serve entire handicapped population under the program alternative framework when it is fully phased in ($26,388,888–$3,298,611) | 23,535,808<br>(An increase of $6,374,842 over present expenditures.) |
| 6. Less federal expenditures (assumed to remain at the present level) | 1,779,864 |
| 7. Equals amount of state and local monies needed to meet needs when fully phased-in | 21,755,944 |
| 8. Less present level of state support | |
| 9. Equals total amount of new state money needed if the state assumed the entire local share and federal support remained at present level. | 5,161,316<br>16,594,628 |

# COMPENSATORY EDUCATION

Enactment of the 1965 Elementary and Secondary Education Act (ESEA) marked this nation's first significant effort to incorporate the individual characteristics of students into a school finance formula. Passage of the ESEA was justified on grounds that a substantial portion of the elementary and secondary school population was "educationally disadvantaged" and, unless assisted, such students would not maximize their potential as individuals nor become full participants in the nation's economy.[23] Title I of the act is intended to provide such assistance. Because of the link between low school achievement and the incidence of low-income households, the Title I distribution formula employs measures of family poverty as its principal components. Title I funds are intended to enable school districts to provide special services to disadvantaged students to compensate for the effects of poverty and low school performance.

Congress appropriated slightly less than $1 billion for the initial year of Title I's operation. Since that time, the annual federal dollar level has more than doubled. Title I allocations are based on the number of children from ages five to seventeen within each state who are (1) in institutions for the neglected and delinquent, (2) in foster homes, (3) from households receiving Aid for Families with Dependent Children (AFDC), or (4) from families with adjusted annual incomes at or below a defined poverty level. It is the low-income and AFDC categories which account for most of the eligible children, in Oregon and in the nation as a whole.

Approximately 15 percent of the nation's students are eligible for federally-funded compensatory education programs under the above definition.[24] The proportion of Oregon's student population which is eligible for Title I benefits is substantially less. In the 1974 school year, 47,725 Oregon students were eligible. Of this number, 19,583 were from low-income families; 23,575 were from AFDC households; and the remainder were from the other two Title I categories.



The relatively low proportion of disadvantaged students in Oregon compared to the nation as a whole suggests that there is no need for additional state funds for a compensatory education program. That, however, is emphatically not the case. There are compelling arguments for state level recognition of disadvantaged students.

First, federal funds are insufficient. The dollar appropriations level is simply too low to permit districts to serve all eligible students and simultaneously meet the spending constraints which the federal government imposes on the use of the funds. For example, in 1974 Portland had 11,902 children within the Title I eligibility categories. Of that number, only slightly more than 8,400 were actually served by compensatory education programs. The federal funds simply did not stretch far enough.

At this writing, no precise figures are available on the total number of students actually served by Oregon's Title I programs. However, if we extrapolate from available Portland figures, there are probably 15,000 eligible students statewide for whom no services are offered. Such a figure is based on the 1973-74 ESEA Title I poverty definition. Use of the 1974 Orshansky index distribution criterion will probably increase the number of eligible children.

In addition to the discrepancy between eligible children and those actually receiving services under Title I, there are other categories of students in Oregon whose personal characteristics call for more intense schooling. Again, we have been unsuccessful in obtaining accurate figures, but it is likely that Oregon has significant migrant, bilingual, and Indian student populations in need of additional services. A modicum of federal money exists in each of these student categories to aid school districts, but the total amount appears insufficient to meet the need.[25]

Second, federal funds do not take into account the overall burden on expenditures that high concentrations of disadvantaged students place on a district.[26] This is particularly relevant for Oregon. Though every Oregon county contains Title I eligible children, their numbers are not evenly distributed. It is in the state's urban areas that eligible students tend to be concentrated. For example, the 11,902 Title I pupils who attend school in Portland constitute almost 25 percent of the state total. Seventeen percent of Portland's total enrollment is defined as "educationally disadvantaged." This is higher than the average for the nation and almost twice the proportion of eligible disadvantaged students for the state as a whole.

Moreover, these pockets show signs of worsening. For example, the proportion of Portland's students from AFDC households has increased from 12.1 percent in 1971 to 15.7 percent in 1974. Similarly, State Department of Education officials estimate that the number of children from non-English speaking homes has increased several-fold over the last decade.

Disproportionately high concentrations of economically disadvantaged children impose a substantial financial burden on schools they attend. This is the case for a number of reasons, some immediately evident, others more subtle. From the outset these students require added personal attention to prepare them adequately to take advantage of school. Such intense attention is itself expensive. However, when there are but one or two such students per classroom, the regular teacher can adjust his schedule and steal a few minutes each day from other duties to somehow find the necessary time. However, when the number of children from low-income households begins to constitute 25 percent or more of the class or school, the ability of the individual teacher to respond is vastly reduced.[27] Typically, with such high concentrations, it is necessary to employ additional staff and reduce significantly the numbers of students for which each teacher is responsible.

Studies described by eminent psychologist Kenneth Clark[28] and the results of inquiries such as the "Kerner Commission"[29] support the conclusion that high concentrations of poverty foster social ills substantially out of proportion to the number of individuals involved. Further validation of this position stems from the research studies of Garms and his colleagues. Using a wide sample of students from New York state, they figured that, when linked together, measures of disadvantage such as low income, broken homes, overcrowded housing and low levels of parental education, had a multiplier effect on student school achievement. That is, the concentration of such conditions appears to trigger an interaction which is much more harmful than when such conditions occur in smaller doses.[30]

Aside from added instructional expenses incurred in compensating for such conditions of poverty, there are additional, subtler costs. For example, low-income children tend to be extraordinarily transient. It is not unusual for inner-city schools to report pupil turnover rates as high as 100 percent during a school year. A teacher may be dealing with a separate population in June than at the beginning of school the preceding September.[31] The sheer logistics of accounting for such mobile students, their instructional materials and school records results in added costs. Add to this the loss of items such as textbooks. Also, such children frequently are badly in need of health care and counseling services. For these and dozens of additional reasons, local school districts faced with large numbers of children from poverty-impacted homes bear an onerous financial burden which is usually difficult to meet from local resources.[32]

## Title 1

Any attempt to develop a state program for compensatory education should take into consideration the operation of Title I funds and the problems and controversies surrounding them.

States which receive Title I funds are responsible for allocating precise dollar amounts to counties and school districts. Local districts are directed by federal regulations and guidelines to concentrate Title I funds on those students who are most in need of compensatory educational services. In order to determine the neediest of students, many school districts utilize both income measures and test scores.

Compensatory education funds received by a local school district can be used to provide a wide variety of educational services for eligible pupils. Most frequently, the funds are employed to provide intensified instruction in reading, mathematics, and other basic skills. This is especially true at the elementary level where approximately 80 percent of Title I funds are directed. Beyond the strict definition of formal instruction, Title I funds can be used for endeavors such as diagnosing a child's learning impediments, providing basic health care and purchasing health aids such as glasses, providing psychological counseling or, under some circumstances, buying clothing for a child. At the inception of Title I, funds were also frequently used to take disadvantaged students on field trips to museums, industrial settings, dramatic events and various cultural activities. The intent here was to expand the world with which these children typically have contact and so expand their interests and elevate their level of aspiration. In recent years, however, the use of Title I funds for such purposes appears to have diminished.[33] This is probably a consequence of inflation outrunning increased federal funding and increased emphasis on raising the achievement level of poor youngsters in reading and mathematics.

In the early years, Title I programs throughout the nation were hard-pressed to demonstrate any significant measure of success. A study conducted for the U.S. Office of Education by the American Institute of Research examined all ESEA Title I program evaluations for the period between 1965 and 1970. This analysis concluded that less than 100 programs throughout the United States even had an evaluation design which would permit valid assessment of pupil performance.[34] The number of compensatory programs which demonstrated significant gains was less than 20. As might be imagined, this early record was cause for substantial disappointment and skepticism among congressmen and other policy makers.[35]

Since 1970, evaluation reports of Title I programs are substantially more hopeful. At the least, educators appear to have become more sophisticated about evaluation. Most Title I programs are now accompanied by a research design which permits accurate assessment of the degree to which students are learning. Furthermore, a recent compilation of Title I evaluations by the Stanford Research Institute reveals that literally hundreds of such programs across the United States are now demonstrating higher levels of pupil performance.[36] The typical measure of success is whether a program can demonstrate, on the average, at least one month's gain in reading achievement for every month students are enrolled in the program.[37] This is admittedly a narrow criterion, but recent results are indeed encouraging. It appears that schools at last are learning to tailor a range of services more closely to the individual characteristics of disadvantaged students.

Over the last several years, some school finance experts, public commissions, and legislative study groups have advocated that school finance formulas explicitly recognize low student performance.[38] The Michigan legislature has embodied the idea in statute by providing $200 per pupil in state monies beyond the federal Title I funds to school districts with concentrations of children who score low on state-administered achievement tests.[39] In 1973 Congressman Albert Quie from Minnesota submitted an amendment to ESEA Title I which would have changed the distribution formula from its present poverty base to a low-performance base. Quie desired that each state's entitlement be calculated in terms of the number of students scoring below some specified level on statewide criterion-referenced tests.[40]

The Quie performance proposals were not passed by the 93rd Congress. However, hearings on the amendment served to elicit a substantial number of complaints with the present Title I formula. Critics contended that the former annual family-income levels (both the operational figure of $2,000 and the stated $3,000) were naively low, that AFDC measures are subject to unacceptably varied standards of administration, and that the use of census data for determining eligibility means that figures are always out-of-date. Critics of the poverty-based formula further argued that what was really important was to have school districts address themselves specifically to the remediation of low-achieving students. Since the tie between poverty and poor school performance is not perfect, they felt, the direct step of distributing federal dollars on the basis of test scores makes more sense.[41]

While acknowledging that poverty measures are far from perfect, others criticized test scores as an allocation criterion. They felt that distributing money on such bases exceeds the capability of the testing art, is too expensive to administer, may establish incentives for poor performance, and runs the risk of federally-established national curricula.

Performance advocates ultimately dropped their case, at least temporarily, and voted for new measures of poverty levels instead. The new version enacted by Congress in 1974 (HB69) depends heavily upon a more complex measure of poverty, the so-called Orshansky Index. This is an income measure corrected for the number of children in the household and whether the family resides in an urban or rural area. The new formulas also account for the percentage of AFDC children in a school district.

## Developing a State Program

One of the critical questions in developing a state compensatory education grants system is how to identify the "disadvantaged" student population. What are the best measures: poverty, pupil performance or something else? Poverty can be measured by four primary indices which can be included in a school finance distribution formula: (1) family income as measured by census data or state income tax information, (2) AFDC payments, (3) the Orshansky Index and (4) a combination of the preceding. The most common form of a pupil performance distribution scheme has been based on test scores.

In addition to poverty and performance measures, it is possible to incorporate other student characteristics into a state aid distribution formula. For example, the number of migrant and non-English speaking students in a district can be used as a basis for allocating compensatory education funds. Measures of "overburden," such as student transiency rates, can be used to gauge district need for compensatory education funds. Various indices of disadvantage can also be linked together. For example, it is possible to combine measures of poverty (i.e., Orshansky Index and AFDC) or to permit a district to count both AFDC and non-English speaking students. Lastly, it is possible to permit a school district to use poverty, performance, or overburden measures to determine its entitlement.[42]

The heated controversy over eligibility testifies to the fact that no perfect measure exists. However, for Oregon AFDC payments appear to constitute the best available measure of identifying the compensatory education population. It is by no means a perfect measure of educational disadvantage; it misses some students who need assistance and embraces a few who do not. Moreover, not all counties administer the AFDC payment program in the same manner. Nevertheless, compared to the practical alternatives, AFDC eligibility appears to be the most expeditious indicator. Oregon does not now have a statewide testing program and exhibits little prospect of inaugurating one in the near future. State income tax data are not collected in a form useful for school district finance distribution purposes.

Another crucial policy component is the amount of money to be provided. Regretfully, there is no generalized formula which tells us the dollar level necessary to achieve a specified level of student achievement.[43] Consequently, compensatory dollar levels usually combine existing best practices with economic and political feasibility. But whatever the dollar amount of the grants, they should be sufficient to permit a serious effort to compensate for educational disadvantages rather than just a token gesture.

In terms of effectiveness, the conditions of distribution can be as important as the amount of the grant in a state compensatory education program. As we have pointed out, disadvantaged children do not impose an equally-distributed burden upon all Oregon school districts. Some districts have no disadvantaged pupils, others only a few, and still others have many. Wherever such children reside, they are deserving of intensified instruction, and state funds should be available to ensure that end. However, even more state funds are necessary if the needs of students in highly-concentrated settings are to be corrected. Consequently, we propose a sliding payment schedule which escalates the amount of aid in relation to the concentration of eligible pupils. Using 1973-74 as an example, we recommend that the state provide districts with five percent or less eligible students an additional $200 per eligible student in state funds. For districts with between five and ten percent eligible students, state compensatory education payments should be $200 per eligible student for the first five percent and $400 per student over five percent. In those few districts with more than ten percent eligible students, state payments should be $200 for the first five percent, $400 for the second five percent, and $600 per student over ten percent. No particular minimum local tax effort should be necessary to qualify for these funds.

## OCCUPATIONAL EDUCATION

Education for the world of work is in transition, seeking different definitions and orientations. New concepts of occupational and career education are broadening the base of federal and state activity beyond the bounds of traditional vocational education.[44] Unfortunately, the federal government has talked a great deal about new career education but only earmarked $15 million for it. Almost all the federal program money (over $265 million) continues to support the old vocational education approach. For states like Oregon, where there is no state financial support for occupational or career education, this means efforts to introduce the new concepts will be hindered.

Indeed, this has been the case in Oregon where planning is defined by the availability of federal funds. Through the leadership of the State Department of Education, Oregon has moved quickly into the new concepts of career education and job clusters. Career education has been incorporated into planning goals, and clusters such as child care, electronics and forest products have been developed. But their use in the schools depends on the availability of federal funds and the constraints in federal legislation. Policy-making has thus been influenced by the federal statutes and planning has been limited to deciding how best to use the limited federal funds.

The state currently collects information only on the impact and expenditure of federal money spent in grades 11-12 and at the community college level. Information about students below 11th grade who are taking career education courses supported by local money (about 50 percent of them are in agriculture) is not gathered by the state. The State Department of Education has recognized the need for a thorough study of occupational offerings in Oregon and is now beginning to collect information on local occupational education programs. But as long as the state relies solely on federal funds, the information gathered will probably be inadequate for planning purposes.

In other words, the development of occupational education in Oregon is hindered both by a lack of data on programs currently being offered and a lack of state funds. Progress will be unlikely until the state assumes some financial responsibility for career education programs. Until then there will be a shortage of good data and consequently little effective planning. But before we discuss what the state's role should be, it is necessary to consider the purposes of occupational and career education.

## Direction

The development of occupational education has been marked by considerable confusion. However, a review of the literature reveals agreement that the basic goals are to help students get good jobs after leaving school, keep those jobs and then advance to better jobs as soon as possible.[45]

Steps most often mentioned as instrumental to these goals are:

helping students acquire specific marketable job skills

helping students acquire general work skills (communication skills, interpersonal skills, problem solving, etc.)

helping students acquire credentials needed to qualify for jobs

helping students choose wisely among available occupations

Career education includes the concepts of vocational and occupational education, but broadens them considerably. The State Department of Education's plan for fiscal year 1975 encompasses the following conception of career education.

### ANNUAL AND LONG-RANGE PLANNING AND BUDGETING FISCAL YEAR 1975

Career education, as an integral part of the total educational program, embraces the concept that each individual is called upon to perform several basic functions or roles throughout his lifetime, including (1) learner, (2) producer, (3) citizen, (4) consumer, (5) individual and (6) family member. Oregon's educational system must provide insight, exploration and preparation in these and other life roles continuously and at the appropriate interest and comprehension level of each learner. Using the occupational role as a major focal point, a curriculum may be organized to include appropriate knowledges and skills that enable persons to perform successfully in the role of a producer and assist them in other related life roles.

The primary purpose is to emphasize the vocational education goals, objectives and activities for the State of Oregon while depicting their relationship to the total career education concept.

### PROGRAM GOAL AREAS

**Awareness**

Provide the opportunity for all elementary students (K-6) to develop and expand their understanding of themselves in relation to their career development.

**Exploration**

Provide the opportunity for all students in grades 7-10 to explore broad career fields with emphasis on their relationship to one's interests, aptitudes and abilities.

**Preparation**

Provide the opportunity for all secondary students (11-12) to pursue and develop the knowledge and skills necessary for employability in an identified occupational field.

**Specialization** (Post-secondary and Adult)

Provide the opportunity for all students to enter and exit educational programs according to individual needs for specific occupational training.

**Apprenticeship**

Provide support and educational opportunities to registered apprentices in Oregon.

Like occupational education, career education development has also taken place amid confusion and controversy. Whether this is because the concept of career education is new or because it broadens previous definitions, objectives like those included in the preceding plan become more controversial when examined in detail.[46]

For example, there is a constant dilemma over short and long run benefits. Should schools encourage students to "shoot high" for jobs and risk disappointment or risk underemployment by reinforcing "realism"? Opinions also differ over the best mix of specific, marketable job skills and general work skills. There is some danger that marketable skills may lead to predominantly low paying, low status jobs with little hope for advancement.

This latter problem raises the question of which schools are best suited for teaching various career skills. There is considerable evidence that the K-12 public schools are better for teaching general skills than specific skills. Community colleges currently provide many opportunities for specific occupational education, and public K-12 schools cannot change staff rapidly enough to respond to changing labor market demands. Generally, schools must be quite large to have teachers with the variety of skills needed for a balanced career education program.

Another issue is who should receive career education. Some assert that all students should be required to participate in some kind of career education or occupational preparation program. Others feel that only those students not interested in college should be required to enroll in such programs.

Such disputes raise the question of how career education should be organized. Some advocate alternative school models that include career education, while others suggest that only certain special programs should be centered around career education and specific technical skills. Still others foresee career education as special units added to the school curriculum, specific courses within the curriculum, or special services offered outside the curriculum.

Such problems are part of any developing concept, especially one that expands existing definitions, like the Oregon State Department of Education's career education concept. Although the department's plan puts more emphasis on planning and adequate funding and is broader than the present federal definitions, it is still narrower than the approach we recommend.

## Goals for Policy Makers

Five goals emerged from a recent National Institute of Education conference on career education which we feel should be applied to state and federal career education efforts.[47]

1. Career education should help secure a better match between each individual's characteristics and competencies and the career opportunities available.

To achieve this, three considerations are important. First, students need opportunities to try a range of different occupations, whether through actual job experiences, simulations, or other means. Second, students need to know about the career opportunities available in their immediate environment and beyond. Third, students need opportunities to discover their own aptitudes and interests. This might be provided through the use of appropriate diagnostic tests and interviews with trained counselors.

The primary consideration is for students to know whether their own aptitudes and interest fit the demands of the job. Children sometimes are encouraged to focus upon specific occupational goals at an early age. These goals are frequently narrow in scope and ill suited for the child's aptitudes. In such cases it is especially important to provide opportunities for students to learn about different occupations than they know about or have been encouraged to pursue.

2. Career education should help youngsters develop awareness of adult roles and the capabilities needed to meet the requirements of those roles.

One of the consequences of modern American technology is that it has separated the young from adults. The lack of frequent significant contacts with adults creates a lack of models through which the young can discern adult attitudes and styles of thought and action.

3. Career education should provide more diverse routes to recognition and reward for competencies in school.

Schooling in the United States rewards verbal and mathematical skills most highly. Nevertheless, social productivity and personal satisfaction can be achieved through the exercise of other competencies, such as mechanical ability. Yet schools, because of their traditional reward system, inadvertently penalize students whose principle aptitudes are not in the verbal or mathematical areas.

4. Career education should help youngsters comprehend and learn how to influence the workings of the economic-political-social system in which they live.

Our socio-economic system is actually a complex maze of systems, and successful negotiation of that maze is not guaranteed by the presence of skills or competencies alone. Career patterns and other opportunities are not always based on the recognition and reward of ability. To help children learn how the system operates, how decisions affecting them are made and how various pressures influence such decisions is relevant to any adequate conception of career education.

5. Career education should provide high school students with the opportunity to acquire sufficient skill and knowledge to support themselves honorably when they leave school.

Few opportunities exist for students to acquire the skills necessary for success in the world of work. For college-bound students the problem is even more severe. Their ambitions and the pressures they feel from universities, combined with a lean job market, preclude most opportunities for wage-paying work. Thus, we have a situation where few adolescents have the chance to acquire wage-earning competencies.

As Oregon moves further into career education and develops the broad approach described by the State Department of Education plan and our recommendations, the state will have to provide the necessary resources. Otherwise, federal limitations and a lack of funds will hamper any serious effort.

We recommend an initial state contribution of $1 million. We feel this would be enough to allow the necessary information gathering and free the state from dependence on federal funds. This would then allow the state to effectively plan and implement its own program of career education.

## Recommendations

Many possible approaches to state funding were outlined in the section on education of handicapped children, but we feel that two of those approaches are most relevant to career education in Oregon: the pupil weighting system and categorical funding.

We recommend the categorical method because Oregon lacks the information needed for pupil weighting and because the job cluster and career education approach suggests a need for greater flexibility. The pupil weighting system recognizes excess costs and allows considerable adjustment for high cost programs. The increased state support provides an incentive for local schools to expand their occupational offerings. However, pupil weighting is surrounded by conceptual and methodological problems.

Two states, Florida and Utah, have adopted elaborate pupil weighting systems for vocational, occupational and career education. But there is no agreement on the desirable costs for various programs. This is a common problem in such a system. A recent Texas study, for example, weighted office occupations at a range of 1.24 to 1.42 while the National Education Finance Project recommends 1.80.[48]

Nor is there agreement on how to select the exemplary local education programs that should be used as the basis for state cost determination. Some states use nominations by professors or the state education department. Other states use sampling techniques from a number of "expert" sources. No matter which approach is used, the assumption is that existing practices are the best practices. This overlooks the possible cost-savings of such innovations as differentiated staffing, educational television, computer-assisted instruction, etc.

Another problem is deciding how many weights to use. Using only one weight for all vocational programs, encourages districts to offer the lower cost vocational programs, so they can keep within their overall budget or even divert state vocational education money to the regular program. If multiple weights are used, there is a danger of supporting outmoded occupations and discouraging job clusters that consolidate several vocational education categories. With job clusters and new vocations changing rapidly, specific weightings of programs may lock in outdated occupational training programs.

A more suitable approach would be a state categorical program to supplement the federal program and develop new curriculum approaches such as job clusters and career exploration. Such a program could begin filling in the gaps caused by dependence on federal funds. Especially needed are improvements in information services and manpower and job data systems.[49]

Since no federal money can be used below age 15, a state categorical program could be used to stimulate occupational programs in the early grades. Priority could also be given to school districts with special needs such as large numbers of disadvantaged pupils. Until the federal government finally earmarked funds for the disadvantaged in 1970, very few of these pupils received any occupational training.

Any significant expansion of occupational programs would need to consider facilities shortages, particularly in small school districts. Facilities problems could be mitigated by increased use of off-campus programs and community colleges. In rural areas mobile facilities (which would be difficult to fund under a pupil weighting system) could be used.

In short, categorical programs at the recommended $1 million level can be used to provide "seed money" for redirected programs, rather than supplanting local efforts. Local budgets could then gradually absorb the costs of the new programs, perhaps through use of other state money as overall state aid increases under a fiscally neutral system of school support distribution.

## SCHOOL FACILITIES

### A Possible State Role

There is no logical reason to treat facilities differently than current operating expenses when devising an equitable state finance plan. Indeed, the Arizona Supreme Court declared that state's financial system invalid on the basis of inequities in both operating and facilities costs. The Arizona Supreme Court concluded its decision with this view:

"However, funds for capital improvements in school districts are even more closely tied to district wealth than are funds for operating expenses. The county and state make no contribution whatever to the costs of capital improvements. The capability of a school district to raise money by bond issues is a function of its total assessed valuation."

Consequently, a sequel to Oregon's "Creswell case" is possible on the grounds of wealth-based inequities in school facilities.

Moreover, any expansion of education for handicapped children, early childhood education, and career education must confront the shortage of available facilities for special programs. On the other hand, career education in other states has been plagued by excess facilities and overlapping programs between different levels of education (junior college vs. high school). Predicted downturns in pupil enrollment for parts of Oregon raise the issue of excess capacity in some school districts, while facilities are short in the fast-growing Portland suburbs. Declining enrollments provide an opportunity for alternative use of excess school facilities for such activities as senior citizens' programs. All of these considerations suggest the need for a state role in planning, financing and enhancing utilization of school facilities.

### What Do Other States Do?

As of 1968-69, only 25 states provided any aid for school construction (as table 5-5 indicates).[50] Since then Florida and Maryland have moved to full state assumption of school costs. Total school spending in the U.S. increased from $1 billion in 1949-50 to

$4.5 billion in 1970-71. Interest on debt required more than $1.3 billion in 1971, compared to $100 million in 1950. Major enrollment increases and interdistrict migration were important causes for this increase in expenditure. New construction in 1973-83, however, will be primarily caused by replacement of obsolete facilities, pupil shifts and new programs rather than a net enrollment increase. Since voters have turned down requests for facilities bonds at a growing rate in the last five years,[51] it is difficult to predict future school construction trends.

State programs for financing school construction or debt service are categorized by the National Education Finance Project as follows:

1. Total state assumption (Maryland)
2. Grants for construction, based upon a fixed or variable percentage of approved cost (Delaware)
3. Grants for construction or debt service purposes, which are part of (or closely related to) the program which allocates funds for financing current operation (Kentucky)
4. Grants for debt service (Indiana)
5. State loans for construction (Virginia)

Only two states, Maryland and Hawaii, assume all local district construction costs. Since the fiscal neutrality doctrine requires that the wealth of the state, rather than the wealth of the districts, be the determinant of the level of spending, the programs of Maryland and Hawaii meet this test if all essential project costs are included.

Recent studies of several state capital outlay and debt service programs have been made for the National Education Finance Project.[52] Data are thus available which show the consequences of typical state programs which fit into categories two through six above. Selected data from these states are summarized in the following table.

Iowa's policy of no state support for facilities is identical to Oregon's policy. An impact study of Iowa's system concluded:[53]

1. More wealthy districts spent more per pupil for debt service than less wealthy districts. There was a statisti-

table 5-5

**PERCENT OF STATE SUPPORT OF CAPITAL OUTLAY, 1968-1969**

| State | Capital outlay expenditure per pupil | Per pupil state support for capital outlay and debt service | Percent state support is of capital outlay | Rank |
|---|---|---|---|---|
| Hawaii | $188.43 | $188.43 | 100.0 | 1 |
| Kentucky | 45.74 | 32.45 | 70.9 | 2 |
| Connecticut | 53.78 | 28.12 | 52.3 | 3 |
| Vermont | 102.45 | 49.60 | 48.4 | 4 |
| Delaware | 282.91 | 136.35 | 48.2 | 5 |
| Indiana | 86.96 | 41.43 | 47.6 | 6 |
| Florida | 97.08 | 44.45 | 45.8 | 7 |
| Georgia | 63.35 | 27.93 | 44.1 | 8 |
| New York | 144.15 | 59.46 | 41.2 | 9 |
| South Carolina | 72.79 | 27.16 | 37.3 | 10 |
| Pennsylvania | 67.54 | 23.14 | 34.3 | 11 |
| Massachusetts | 71.15 | 22.79 | 32.0 | 12 |
| Maryland* | 218.29 | 64.38 | 29.5 | 13 |
| Mississippi | 57.12 | 12.18 | 21.3 | 14 |
| New Hampshire | 104.53 | 21.35 | 20.4 | 15 |
| Tennessee | 61.91 | 12.43 | 20.1 | 16 |
| New Jersey | 122.04 | 21.80 | 17.9 | 17 |
| Washington | 105.00 | 17.15 | 16.3 | 18 |
| Maine | 113.28 | 18.12 | 16.0 | 19 |
| Rhode Island | 164.20 | 25.91 | 15.8 | 20 |
| North Carolina | 53.96 | 7.60 | 14.1 | 21 |
| Utah | 127.93 | 14.89 | 11.6 | 22 |
| Alaska | 286.14 | 23.87 | 8.3 | 23 |
| Alabama | 46.98 | 2.49 | 5.3 | 24 |
| Missouri | 109.58 | 2.02 | 1.8 | 25 |

Source: NEFP, National Capital Outlay Study, No. 71 and NEA Estimates of School Statistics.
Other states reported no grants for capital outlay or debt service.
*Maryland initiated full state funding of capital outlay in 1971.

table 5-6

**Comparative Data on Per Pupil Debt, Debt Service, and Debt Service Tax Rates for Selected States**

| State | Year | District Debt Per Pupil | | | District Debt Service Per Pupil | | | District Debt Service Tax Rates* (per $100) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Low | Mean | High | Low | Mean | High | Low | Mean | High |
| Delaware | 1970-71 | $84 | $564 | $1,906 | $13 | $68 | $130 | $.06 | $.25 | $.47 |
| Indiana | 1971-72 | 0 | 806 | 2,949 | 0 | 81 | 224 | 0 | .27 | .65 |
| Iowa | 1969-70 | 0 | N.A. | N.A. | 0 | 52 | 154 | 0 | .15 | .50 |
| Kentucky | 1971-72 | 0 | 664 | 1,958 | 0 | 41 | 170 | 0 | N.A. | N.A. |
| Virginia | 1972-73 | 0 | 800 | 1,531 | 0 | 80 | 180 | 0 | .13 | .44 |

*All tax rates have been converted to reflect assessment of taxable property at 100 percent of actual valuation.

cally significant positive correlation between wealth per pupil and debt service per pupil.

2. Districts with above-average current expenditures per pupil tended to spend more per pupil for debt service than districts with lower per pupil current expenditures. Fiscal capacity thus appeared to be a major determinant of spending for both operating and facility-related expenditures.

3. The local tax rate necessary to fund average debt service ($52) was approximately 4 mills. For all districts, the tax rate necessary to raise that amount ranged from 1.3 to 9.7 mills. The poorest school district needed to make seven times the effort required of the richest district to raise $52 per pupil.

4. During 1969-70, 98 districts utilized the 2.5 mill school-house levy. The average per pupil equalized valuation of this group of districts was $10,672, about eight percent lower than the state average of $13,065. The average debt service levy for this group of districts was 4.966 mills, compared to the state average of 4 mills. Per pupil debt service for this group was about the same as the average for all districts. These findings again show that poorer districts must make substantially greater effort to fund facility-related expenditures than wealthier districts.

There are a number of options for improving the current Oregon situation, including full state assumption, flat grants, lease-purchase arrangements, etc.[54] In order not to penalize districts that have made unusually large tax efforts in the past, the state should also assist localities in paying for existing debt service. But before the state can proceed on any of these new policies it must have specific data on facilities needs.

## Data Requirements

Oregon now has no system for collecting data that would assist state policy makers. A facilities survey should include the following items:

1. Enrollment—present and future
2. Pupil capacity needed—required space for special programs like education of the handicapped and career education
3. Existing capacity—square feet per pupil for various programs
4. Capacity surplus or deficit
5. Construction cost index—standard contractor bidding figures for different Oregon regions
6. Cost of needed facilities—standard per-foot cost
7. Breakdown of costs and needs of special programs
8. Bonds outstanding per pupil by school district
9. Debt service per pupil by school district
10. History of facility elections—how many passed and where
11. Analysis of LEA pay-as-you-go facility financing—does it restrict adequacy of current operating revenues?

From these data the state could analyze relationships between wealth, facilities and tax effort and also project expected surpluses and deficits in space for each school district.[55]

## Interim Assistance Policies

In addition to the above study, we recommend two other measures for immediate consideration by state policymakers. First, we recommend legislation which would permit local school districts to use the state's credit rating for local school bond issues. School districts could save between a half and one and a half percent on the interest rates they are now paying. This could save about $600,000 the first year and ultimately $3.5 million annually (assuming $400 million in local indebtedness).[56] Additional savings would be realized from statewide pooling of the legal, underwriting, printing, advertising and other costs of school bond issues. One possible method of accomplishing this plan is for a state bond bank to purchase bonds directly from local school districts. The state bond bank would then sell its own debt obligations to the public and repay them with receipts from the local districts.

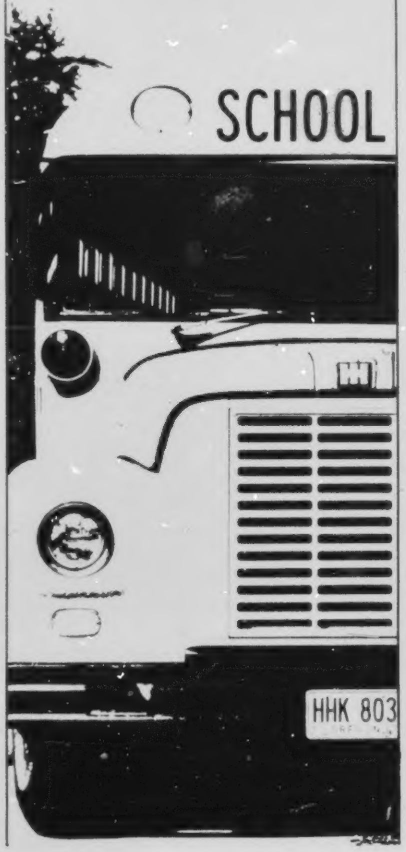
Second, we recommend a state lease-purchase plan for school construction and remodeling. Under such a plan, a state school building authority (or other state agency) could issue its own debt obligations up to a limit fixed periodically by the legislature. The state would then approve or reject local applications for school facilities, based on established need criteria. Local school districts would lease the buildings from the state under a lease-purchase plan using current revenues. At the end of a specified period, ownership of the building would revert to the school district.

Neither of these two plans alters the relationship between local property wealth and the ability of a district to fund school facilities. Therefore first priority should be given to building a statewide data base for analyzing facility needs. Once this step is taken, the state could sever the connection between property wealth and local capacity to fund school facilities by either 1) providing categorical grants to equalize the costs of capital outlay, or 2) assuming the full cost of school construction and debt service.

## Recommendations

1. Support a comprehensive school facilities inventory for Oregon.
2. Allow local school districts to use the state's credit rating for local school bonds.
3. Investigate a state lease-purchase plan for school construction and remodeling.
4. Include equalization of facilities costs in a revised state school finance formula.

# TRANSPORTATION



Oregon's present transportation formula is complex and fails to comply with the legislature's intent to reimburse 60 percent of costs. Reimbursement is currently closer to 50 percent, because it is based on the approved costs two years previous. We believe this is too low and recommend increasing reimbursement to 75 percent of approved costs. Transportation costs do not fall equally on school districts. Sparsely settled areas must use a larger proportion of their budgets for transportation than compact districts. In order to insure equal educational opportunity, therefore, the state should pay all transportation costs above some minimum level. A reimbursement formula in which the state picked up 75 percent of transportation costs would be more equitable than a 60 percent formula, while still providing districts with an incentive to be efficient.

The state formula for depreciation of school buses is also outdated and needs to be changed. Buses are much more expensive today than they were when the formula was written, and full depreciation under existing rules requires using buses long after their utility is gone.

# COST OF LIVING

Any effort to assure equity ought to consider that differences in the cost of living will place different strains on the ability of districts to meet the costs of similar goods and services. While the costs of education cannot be measured directly by the cost of living, they are affected by it. The cost of living will have a direct influence on the costs of what a school district purchases such as teachers, books, construction, etc.

Of primary concern to schools is the effect of cost of living differences on teachers' salaries. More than any other single item, the quality of teachers in a school district affects quality of education in the district. Usually a board of education spends 75 percent to 80 percent of its operating budget for salaries and wages. If we are to seek equality of educational opportunity through equalization of ability to raise resources, then we should also see to it that students with similar educational needs have equal access to quality teachers and quality administrators regardless of the district in which they attend school. This implies that we must adjust for the effects of cost of living differences on teacher salaries.

As already discussed in preceding sections, many school finance formulas now recognize the additional costs for pupils with varying educational needs such as handicapped children or low-achieving students. The primary cause for these higher costs is demands for more teachers per pupil or for teachers with special talents. However, only one state, Florida, recognizes that variations in the cost of living in various sections of their state may affect the supply of teachers to school districts. Higher costs of living force school boards to offer higher salaries to attract teachers to the area. Other factors being equal, if one area has a sufficiently higher cost of living than another, that area will have to offer higher salaries to maintain the same quality of teacher as the area with a lower cost of living.

There are, of course, many factors which affect the overall impact of salaries on a school budget. A school with a high incidence of teachers with tenure and lengthy service or with advance degrees will have higher salaries to pay. The institution of collective bargaining for teachers on a district by district basis will lead to differences in salaries. Other factors such as a district's reputation or its location will influence the salary schedules of school districts. But these are not readily addressed by a school finance formula. What we are concerned with here is the ability of districts to make equal offering for the same quality of service.

In this regard the wealthy districts will always have the advantage in an unequalized school finance system. Assume two districts, one rich and one poor, with similar educational programs and ADMW, and both in an area in which the cost of living is higher than other areas. The districts have several options. They can increase expenditures and offer higher salaries; they can cut back in other areas; or they can hire fewer teachers. No matter which option is taken, the decision is easier for the rich district because it can always raise added property tax revenue more easily than the poor district. It is another case of the rich district being freer to improve its educational offering.

In the above situation the first task is equalization of the school finance formula to eliminate the wealth advantage of rich districts. But even in an equalized finance formula an adjustment for cost of living is needed. Such an adjustment is not related to wealth, but simply to the fact that in order to maintain the same quality of programs it will cost districts with higher cost of living more than districts with a lower cost of living.

Assume an equalized school finance system in which two districts with similar programs and ADMW tax at the same rate. They will raise the same revenue from the same rate. But if the cost of living is higher in one district it would appear that the potential quality of educational offering in that district would be less than in the other district where the cost of living is lower. If the high cost of living district were to offer the same salary as other lower cost of living districts in the state its pool of applicants could be expected to be smaller given that its "real money" offering is lower. In such a situation, over time, one would expect the quality of its teacher force to decline – as the higher quality teachers begin to bid for the higher, "real money" positions.

On the other hand, the high cost of living district could offer higher salaries to meet the justified demands of its teachers. In this situation, the high cost of living district would have to curtail expenditures in some other category of expense, such as supplies, equipment, athletics, etc., or would simply hire less teachers than they normally would to meet the increased salary costs.

The result is the same under all options – the quality of the educational offering in the high cost of living district is less than that in the lower cost of living district. Because of this fact we believe that there should be a provision in the school finance formula to adjust for cost of living differences between school districts if such cost of living differences are indeed significant.

To determine if significant differences appeared to exist among Oregon cities and/or regions, the Committee on Equal Educational Opportunity requested the Oregon State Department of Revenue to conduct a preliminary survey. Time and cost constraints prohibited conducting a survey which would produce definitive results. However, the Department of Revenue was able to develop a spatial index – that is they were able to compare the relative costs of purchasing the same set of items in five regions of the state. Within each of these regions, the major commercial centers were chosen to represent the entire region. The cities used and the geographic area in each region are listed in table 5-7.

The Department then selected a total of 69 items of goods or services to be sampled. These items were chosen from a list of goods and services that the U.S. Bureau of Labor Statistics uses to determine the Consumer Price Index for Portland. Note these items do not measure directly what school systems purchase but they comprise the best indirect group of cost indicators available and, we feel, result in an adequate

table 5-7

### PLACES SURVEYED IN COST OF LIVING STUDY

**Northwest Coast**
Astoria
Newport
**Metropolitan Area**
Portland
Beaverton
**Willamette Valley**
Salem
Eugene
**Southwestern Oregon**
Coos Bay—North Bend
Roseburg
Medford
Klamath Falls
**Eastern Oregon**
The Dalles
Bend
Pendleton
LaGrande
Ontario

table 5-8

### CATEGORIES SAMPLED IN COST OF LIVING STUDY

| Category | Weight |
|---|---|
| **Food** | 22.7% |
| White Rice | |
| Pork Chops | |
| Bacon | |
| Evaporated milk | |
| **Housing** | 50.7 |
| Bedroom Chest | |
| Lamp | |
| Sink Replacement | |
| Electricity | |
| Rent, 2 bdrm. Walkup | |
| **Apparel** | 2.1 |
| Men's Suit | |
| Dress | |
| Shoe Repair | |
| **Transportation** | 3.3 |
| Chevrolet | |
| Regular Gas | |
| Auto Insurance, Collision | |
| **Health** | 5.8 |
| Doctor's Office Visit | |
| Dental Extraction | |
| Hospital Room | |
| **Miscellaneous Goods and Services** | 9.2 |
| Bowling Fee | |
| Red Table Wine | |
| Funeral Service | |

proxy measure for the cost of education. The Department of Revenue feels that these items reflect an adequate cross-section of the major Consumer Price Index categories of: Food, housing and utilities, apparel, transportation, health and miscellaneous services. Each of these major categories was then weighted according to its relative importance in an individual's total budget. The BLS weights for Portland were accepted as accurately reflecting the relative importance of the expenditure for an item out of the total budget. These weights were adjusted so that the sum of the weights for the 69 items would be 100 percent.

Table 5-8 presents a listing of the five major categories, the relative weight in an individual's budget assumed for that category, and a couple of examples of some of the items sampled in each category.

Considerable effort was made by the Department of Revenue to accurately specify exactly what item was to be priced in the questionnaires sent to the business establishments in the 15 selected cities.

The results of this survey of the cost of these items are reflected below.

table 5-9

### COST OF LIVING INDEX

| Region | Relative Index (State Av.=100) |
|---|---|
| Portland Area | 1.04 |
| Mid-Willamette Valley | 1.02 |
| Northwestern Coast | 1.01 |
| Eastern Oregon | .97 |
| Southern Oregon | .97 |

Based on the survey it would appear that the cost of purchasing a given basket of goods in Portland is about 7 percent higher than if the same basket of goods were purchased in Bend or Klamath Falls. Again it should be pointed out that this survey is only indicative of costs of living differences among school districts in Oregon. A more extensive survey covering more areas of the state is needed before a cost of living adjustment is added to the state finance formula. Nevertheless, the results of this preliminary study lead us to believe that there are significant cost of living differences in Oregon. In Florida, the legislature provides funds for an annual cost of living survey and then requires that the state school finance formula be adjusted accordingly. We recommend that a similar procedure be followed in Oregon.

In summary, since cost of living differences do affect the quality of education offered in a district and since there probably are significant differences in cost of living between different regions of Oregon, we feel that some sort of cost of living differentials should eventually be included in the school finance formula. If no adjustment for cost of living is provided, the state will be ignoring an important factor affecting equal educational opportunity in Oregon.

## CONCLUSION

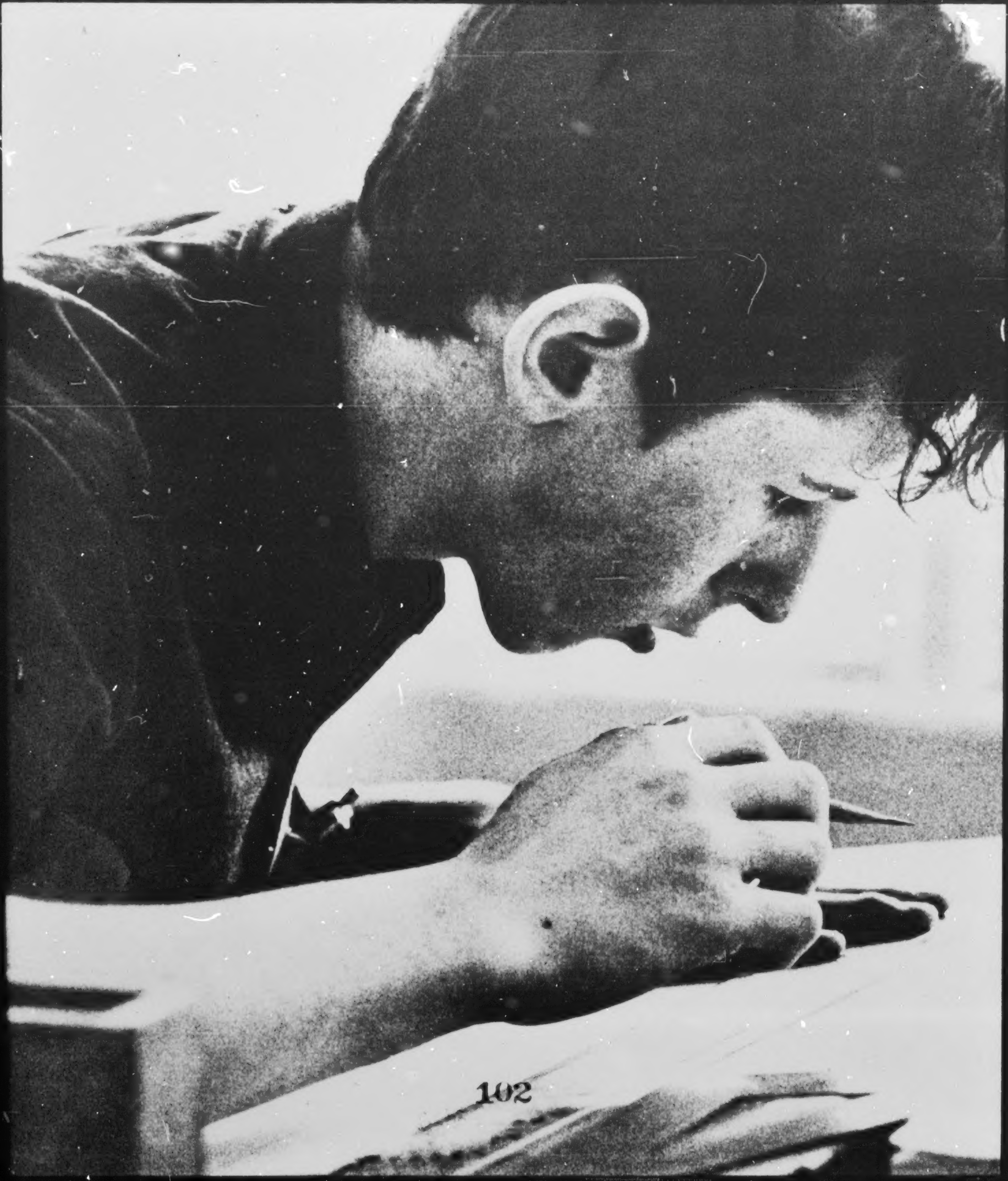
This chapter has described areas where additional state support would increase the overall equity of the state school finance system. The principle applied throughout the chapter is that adjustments to a strict fiscal neutrality standard are desirable when the adjustments reflect identifiable cost differences. First, we recommend that the state assume all of the excess costs of special education for all of the state's eligible handicapped children. Second, grants for children from disadvantaged families should be scaled according to the concentration of disadvantaged children in each school district.

Occupational and career education are becoming increasingly important in Oregon. Before the state assumes major responsibility for funding such programs, however, additional information on existing programs is needed. Our third recommendation, therefore, is that the legislature appropriate a small amount of money for a comprehensive study of occupational and career education and fund pilot programs in a few districts.

The state does not currently contribute to the capital costs of school districts. With declining enrollment in some districts and rapid growth in others, there is an immediate need for statewide coordination of facilities planning. Our fourth recommendation is that the State Department of Education should coordinate all facilities planning, and facilities costs should be equalized by the state just as operating costs should be.

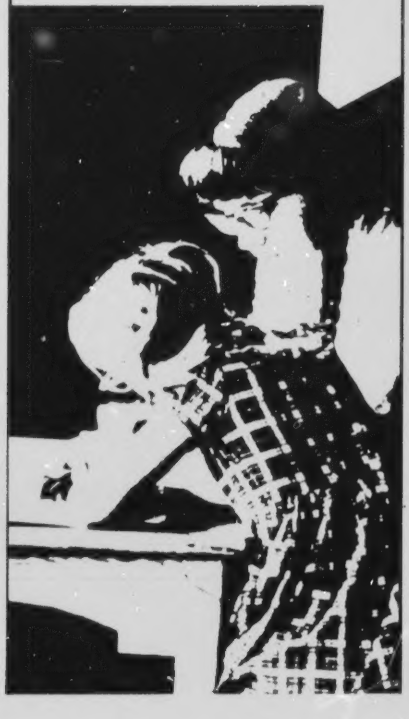
We recommend that the state continue to support transportation costs and the extra costs of necessary small schools. Reimbursement for approved transportation costs probably should be increased, and the present allocation for necessary small schools should be adjusted to keep up with the inflation in educational costs.

Finally, we recommend that the state finance a comprehensive cost of living survey, and that a cost of living adjustment be included in future state school finance formulas.



# 6. SCHOOL PRODUCTIVITY

# PRODUCTIVITY IN PUBLIC SCHOOLS



Achieving equitable educational financing for Oregon will probably entail higher levels of school spending. The general aid distribution plans we described and simulated in chapter 4 assumed added revenues of about $50 million. This figure is exclusive of the added expenditures which might accompany vocational education or special education in future years. Added dollars are probably necessary because it is difficult to envision public acceptance of a state school finance plan which lowered expenditures for many school districts. The politics of distributional reform is almost always the politics of "more."

Public officials and policy analysts understand the political necessity to achieve equity by permitting property-poor districts to increase their spending (so-called "leveling up") but they are anxious that the infusion of added resources be used in a productive fashion. Their anxiety is increased by the fact that Oregon's overall school spending is already large and has been increasing rapidly. For example, Oregon spent $208 million in 1963-64 for the support of elementary and secondary schools. A decade later, total school expenditures had more than doubled almost to $513 million. When these figures are translated to unit costs, we see that Oregon averaged $495 per pupil in 1964 and $1,117 in 1974. Even after adjusting for inflation, per pupil costs rose almost six percent per year over the last decade. Oregonians increased their school support efforts from 20 percent of per capita income in 1964 to almost 24 percent in 1974.

What steps can be taken to ensure that future dollar increments are deployed as productively as possible? Are there possible reforms which would insure that any additional money is spent to benefit school children rather than simply to achieve "equity"? We believe strongly that the answer to this question is "yes," and we will illustrate such reforms in this chapter.

We wish to make it clear that the following suggestions are of different magnitude than our school finance proposals. First, school finance distribution reform was the primary focus of our study, and we immersed ourselves mainly in that subject. Productivity, though important, was subordinate to our central focus, and we did not have time to construct school governance and accountability suggestions with the same intensity and attention to detail. Secondly, the quantitative nature of school finance proposals renders them amenable to careful distributional analysis. The advent of high speed computers and mathematical simulation techniques makes such analyses particularly accurate. Productivity proposals are more tightly tied to value questions and do not lend themselves easily to quantification or simulation. Therefore, by necessity, our proposals for enhancing school effectiveness are somewhat speculative. Also, we make no claim that our ideas are completely original; many of them have been previously described and tested in other places. Nevertheless, we believe strongly that our suggestions are valuable and worthy of consideration in Oregon.

## The Illusion of Current "Accountability" Schemes

Rising school costs and the erosion of lay control of education have spawned an "accountability" movement over the last decade. The label is nowhere precisely defined, which partially explains its popularity as a rallying cry for dozens of otherwise disparate groups, such as irate taxpayers, unhappy parents, beleaguered policymakers, and alienated minorities.[1] It is no wonder that 30 states, including Oregon, had passed some form of accountability legislation by June of 1974.[2]

Almost without exception, state-enacted accountability provisions have promised more than they will ever be able to deliver. Despite the expenditure of millions of dollars and countless hours, getting "more bang for the educational buck" remains an elusive goal. Moreover, the failure of the current "accountability model" is engendering cynicism among public officials, undermining citizen confidence in professional educators, alienating teachers, and provoking even more state intervention.

What is wrong with the existing accountability model? Why doesn't it work? The primary answer is that the conventional accountability strategy being pursued in most states is based on a number of invalid assumptions. The present accountability concept draws much by analogy from the private sector. It is basically a technical-industrial model, as suggested by the manufacturing terms frequently associated with it, such as management by objectives (MBO), program planning budgeting systems (PPBS), and performance contracting.

This technical model is applicable when (1) the goals of production are clearly recognized, (2) measures exist for accurately assessing progress toward production goals, (3) there is a knowledge base or technology which prescribes the mode of production, and (4) the entire production process can be controlled and outside influences which affect product quality can be excluded. Unfortunately, these assumptions do not apply to education.

The first incorrect assumption is that there is widespread consensus on educational goals. Without accepted goals, there is no way to assess whether schools are succeeding. Disagreement over the purposes of public schooling has been a fact of life from the first days of our republic and has increased ever since. In a pluralistic society, the objectives for schools are neither clear nor simple. Gallup polls and university surveys repeatedly document the varying and frequently conflicting expectations for public schools.[3]

In the absence of consensus about school goals, typically a compromise is struck by policy makers. One approach is to have no goals for schools or to have goals so abstract as to be vapid and immeasurable. The second route is to try to accommodate all tastes by having a multitude of objectives. This approach provides a forest of excuses behind which educators can hide; if a critic accuses them of not meeting one objective, they claim to have been pursuing another one. A statewide testing scheme is only of modest help, since representatives of any school can claim the test does not measure the objective they are pursuing.

The second invalid premise of the industrial accountability model is that a measurement technology exists which is capable of determining school output.[4] It is true that psychologists have contributed greatly toward assessing school outcomes, but the problem still outstrips solution. One weakness is that the traditional measurement strategy, so-called "norm-referenced" testing, deliberately discriminates among students as individuals. Easy questions, which almost everyone can answer, and difficult items, which no one can answer, are eliminated. The only questions permitted are those which distribute test scores over a wide range of scores. Thus, scores on norm-referenced tests show how one student stands relative to another, but do not necessarily reveal how much any student has learned. Indeed, norm-referenced tests often gradually become more abstract (like general intelligence tests) and may have little to do with what a pupil has learned in school.

An answer to this testing problem is to employ what are now called "criterion-referenced" tests. These tests focus on the subject matter to be mastered and pay little or no attention to ranking of students. The difficulty with criterion-referenced tests is that someone must decide what is to be tested. This necessity triggers the previously mentioned disagreement about the purposes of schooling; where criterion-referenced tests have been proposed on a wide scale, they have prompted substantial conflict. Early efforts to launch the National Assessment of Education Progress (NAEP) drew threats of boycott from professional school administrators, and similar efforts by the Michigan State Education Department aroused accusations of a fascist plot to control schools from the state level.

In sum, norm-referenced tests are politically acceptable but technically inappropriate. Criterion-referenced tests are technically adequate but politically troublesome. Until a compromise is achieved, the industrial accountability model is severely handicapped.

A third false assumption is that there is an accepted and effective method to evaluate the achievement level of any given student from point "A" to point "B." The best example of this fallacy is the attempt in many states to implement Competency Based Teacher Education (CBTE). This system asserts the existence of a known set of teacher behaviors which can induce a student to learn a specified increment of subject matter. In order to be certified, a prospective teacher must exhibit mastery of "scientifically proven" teaching behavior. The problem is that no scientifically proven teacher behavior exists. We may someday accumulate enough information about successful teaching to have a scientific base for education, but today good teaching is largely an art, with wide variation from individual to individual. To require teachers to follow a rigid list of "instructional behaviors" is likely to damage the learning of as many pupils as it helps.[5] With a few common-sense exceptions, it is impossible to evaluate a teacher on grounds that he did or did not follow the correct pedagogical procedure. This stands in vivid contrast to most manufacturing endeavors, where it is possible to deduce the most efficient production process to maximize output.

A fourth assumption embedded in the technical accountability model is that it is possible to separate important out-of-school learning factors from the effects of schooling. In order to be fair to educators, an accountability strategy must allow for influences on learning which the school has little ability to change. One of the firmest social science findings is that the home and neighborhood social environment affect a student's school performance. Genetically endowed intellectual ability is also thought to be a heavy determinant of a child's school performance. Unfortunately social science techniques for offsetting out-of-school learning influences are highly inadequate. We cannot easily measure a child's social background, and conventional IQ tests appear badly contaminated by environmental factors, not the least of which may be schooling itself.

Another problem with many accountability schemes has been their inability to measure school inputs accurately. If we are ever to identify the elements of a successful educational program, it obviously is necessary to specify its components. If schools have an effect upon pupil performance, it presumably is largely a result of the behavior of teachers and other school personnel. However, many famous studies of school effectiveness, such as the Coleman Report have not included measures of teacher behavior.[6] Rather, they have relied upon indirect measures such as a teacher's age, education level, and years of experience. Moreover, crucial measurement errors have appeared in some of the studies. For example, the original Coleman Report used a district-wide expenditure average to measure the spendable dollar resources per pupil. As many readers will quickly realize, amounts spent per pupil vary widely throughout a district. Secondary expenditures are generally half again higher than elementary expenditures, for instance.

## Professional Resistance

Professional educators have been overwhelmingly critical of efforts to measure school productivity and evaluate their performance. In part this reticence can be explained by the fear of consequences; if a teacher is evaluated and found wanting, the outcome for him may not be pleasant. However, given the current inadequacies of the evaluation art, this reluctance is substantially justified. Teachers fully understand that there is little consensus about the expected outcomes of schooling. They reasonably fear being caught in a crossfire where some significant client segment holds them responsible for achieving one set of outcomes while another segment expects them to reach a different set of objectives.

Another educator concern is that the necessity to focus upon measurable objectives will trigger a "goal displacement" process. Efforts to accomplish those goals which are measurable will shove aside goals which do not lend themselves to quantification. Knowing that he is to be evaluated on the basis of students' reading, a teacher may consciously neglect social studies, health, or music. Worse yet, quantification of objectives can establish a hidden incentive system. If a teacher is to be evaluated on improvement in average student reading achievement in a class, he might wisely choose to focus on the brightest quartile of students. By concentrating instructional efforts in this manner, bright students' reading scores might escalate sufficiently to pull the entire class average up several points, while less able students in the class remained stable or lost ground. The professional concern of many teachers for the welfare of their students would probably inhibit them from such activities. Nevertheless, a possibility exists that a reward system based exclusively upon narrow measurement of quantifiable learning objectives might incite distorted teacher behavior.

### INFRINGEMENT UPON PROFESSIONAL AUTONOMY

To the degree that teachers are professionals and are concerned with students' welfare, they may resist pressures to specify both objectives and "treatment." A teacher might reasonably argue: "I am not worrying now about teaching Johnny to read. I won't neglect reading, but he has recently undergone a debilitating personal trauma, and the most important thing I can accomplish for him is to teach self-reliance, restore personal confidence, and assist in building a positive self-image. Only after his psyche is healthy can he learn effectively. By requiring me to concentrate on reading (or any other substantive area), you are impairing my ability as a professional to facilitate the welfare of my client." This illustrates why teachers want the freedom and autonomy to establish standards for themselves or at least the right to participate with clients or public officials in setting school performance standards.

### CONCERN FOR SUBJECTIVE JUDGMENT

Teacher tenure is frequently called the soft underbelly of school effectiveness. However, those who advocate abolition of tenure forget when teachers owed their jobs to a system of political spoils, and failure to support the "proper" candidate or insistence upon principles of academic freedom meant loss of one's job. Personal favoritism was widespread and teachers felt their dignity and professional independence seriously compromised as a result. Protection against such abuses came in the form of tenure for teachers after completion of a probationary period (usually three years). Despite tenure protection, teachers frequently felt vulnerable to administrator whim. A tenured teacher's prerogatives could still be curtailed; teaching assignments and other important working conditions were subject to administrator discretion. Consequently, teachers sought protection from arbitrary administrative action through formalized rules and grievance procedures negotiated at the bargaining table.

Despite gains in job protection and standards of treatment, teachers are still reluctant to accord administrators wide discretion in evaluating classroom performance. While acknowledging the need for evaluation, teachers want the means specified and standardized so that there is no room for discriminatory treatment or personal favoritism. To be acceptable to teachers, evaluation schemes must be depersonalized and objective. Because it is difficult to construct objective standards for measuring effective instruction, teachers have frequently resisted systematic evaluation schemes.

Sometimes this resistance takes the form of overt political activity to defeat an accountability scheme. At other times, it takes the form of simple footdragging to effectively destroy an evaluation plan. This is well illustrated by educators' general refusal to comply with California's PPBS mandate and Stull Act, which required specification of objectives by which teacher and administrator performance could be assessed. Although educators are usually willing to agree that an enterprise as costly and as important as education must be subjected to measurement and evaluation, they are generally reticent to approve any practical plan to do so.[7] This is particularly true when such a scheme includes the likelihood of financial reward or punishment.

The resistance of professional educators to systematic scrutiny is illustrated by a recent finding from an Educational Research Service report. A survey of school districts of varying size disclosed that small school districts (between 300 and 3000 students) were the most reticent to release standardized test scores to the public. Only 9 percent of the small districts sampled would make test score data available publicly. The most open school districts were the largest sampled (enrollments of 25,000 or more). Almost half of the large districts reported test results to the press. However, less than half of the districts which released test scores published them in a fashion which would permit achievement comparisons from school to school.[8]

## The Dysfunctional Consequences of the Technical Accountability Model

For all the reasons we have described, the crucial assumptions of the technical accountability model are supported neither by scientific findings nor by political realities. At best, there is minimal societal consensus about the goals of schooling; evaluators do not know how to measure progress toward educational goals; and social scientists do not know what educational treatment to prescribe to achieve a particular goal. Despite the absence of such critical information, financially pressed public officials, well-intentioned laymen, and misguided professional educators continue to call for accountability systems based upon a nonexistent educational science.

Because the technical model is conceptually and practically unsound, it fails to correct the ills it is intended to remedy. It does not offer a sound system of incentives for professional educators. It does not provide consumers with information they can use in choosing school services. It does not deliver useful feedback either to educators or to laymen about how well schools are working. It provides no framework for research and effectiveness studies to improve school services. It offers no basis for deciding which teachers and administrators are effective and which are incompetent. It gives no indication where added financial resources should be spent. The list of failures goes on and on.

The failure of the technical accountability model is provoking a number of counterproductive consequences. Professional educators are increasingly resisting any evaluation attempts. Their typical contention is that, "Standardized tests do not accurately measure what a child has learned in school. The child's home environment has been shown to be the prime determinant of school achievement, and we have no control over that situation. In the absence of any science which prescribes how to teach children, how can our instruction be evaluated?" These and a hundred similar arguments are given as justification to avoid evaluation.

These justifications, like most rationalizations, are partly accurate, and the present accountability model does little to blunt their validity. Indeed, it aggravates weaknesses and so provokes professional educators to resist evaluation even more.

Another possible dysfunctional consequence of the present accountability system is to increase skepticism about education among legislators and other public officials. Because the technical model does not provide the desired information, education is becoming increasingly vulnerable to simple political arguments. Its once privileged access to finances is jeopardized. Schools increasingly must compete with other public services for resources, and the absence of performance data or cost-effectiveness information hurts their cause.

In short, from the policy makers' viewpoint, public education seems to be out of control. The possible result of this impression is intensified political intervention and further diminution of professional autonomy, greater erosion of public confidence and consequent reduction in financial support, and a general undermining of the traditional commitment to a high-quality system of public education.

## What to Do When There Are No Answers

Our position to this point has been that present conditions prohibit implementation of a simplified cost-benefit or performance-budgeting model to assess school effectiveness and increase school productivity. Aside from the usual plea for additional funds and time to conduct necessary research on instructional techniques and school effects, what else can be done? Given the present state of indeterminacy, are there any principles by which schools can be organized, instructional performances evaluated, and teachers recruited and trained to perform with added competence? We think the answer to the above question is "yes." However, it should be recognized that the system of reforms we propose is admittedly stop-gap. If there ever is greater agreement on the outcomes of schooling and more reliable knowledge about instructional strategies, a separate agenda of effectiveness reforms might be preferable. In the absence of such knowledge, we propose a series of activities to cope with indeterminant conditions.

## Discussion of Principles

Besides coping with the indeterminacy we have described, a program to increase school effectiveness also must be sensitive to several other criteria. It must balance state-level concerns with local concerns, and seek to reconcile lay control and professional autonomy.

### BALANCING STATE AND LOCAL INTERESTS

In general we adhere to the principle that government decision-making power should rest with the smallest jurisdiction possible. Given a wide range of values and tastes throughout our population, individual preferences seem most likely to be reflected by the smaller units of the governmental hierarchy. There must be a compelling reason for a decision to be made at a higher level. School decisions should be made whenever possible at the school site. It is there that the greatest interaction takes place between those who deliver instructional services and those intended to benefit from them. Also, judging from studies of the relationship between size of governmental units and electoral participation, smaller units facilitate increased constituent expression of educational preferences.[9] School districts are presently the prime level for school governance decisions, and accommodation with political reality probably will require that this condition persist for some time. But as many policy decisions as possible should be taken at the lowest level, whether that is at the school district level or at individual schools.

Upon close examination, however, there are several compelling reasons which justify state intervention or state-level decision-making about schools. First, if left totally to their own discretion, lower-level decision making units might underinvest in education, to the detriment of individual children and society. A local school board might have an extraordinarily pessimistic view of the utility of schooling or might simply be too ignorant to care about the quality of instruction. Consequently, children in that school district might grow up illiterate or unversed in the responsibilities of citizenship. In addition to the suffering of the individual children, their ignorance would be a handicap to society. In a period of extraordinary social and economic interdependence, society must insure that a governmental subunit does not shirk its educational responsibilities.

Beyond its concern for minimal standards of instructional quality and student learning, the state also has an interest in assuring the larger population that school resources are utilized legally and efficiently. Even when generated from local property taxes, school funds are legally state revenues and are subject to state accounting standards. Moreover, since some of the revenue for most school districts is generated outside the local district, the state has an obligation to seeing that these general funds are not wasted in extravagant or inefficient ways.

Balanced against these and other state concerns is the desire of local school clients to influence school purposes and practices. The United States represents a complicated mixture of values and tastes with regard to schooling. If such diversity is to be respected room must remain for local choice.

## PUBLIC CONTROL AND PROFESSIONAL AUTONOMY

In principle, client welfare is of paramount concern to professionals. Each situation must be assessed separately and the optimum response prescribed. Professionals in all fields argue that they should have discretion to decide what is the best course of action. Laymen presumably do not have sufficient expertise to assess the performance of an engineer, physician, lawyer, or pilot; the professional must be allowed substantial authority and discretion, subject only to review by peers. Since education aspires to be a profession, educators argue that they should permitted similar autonomy.

There are at least two circumstances which mitigate against unfettered professional autonomy for educators. First, unlike many professional services offered in the private sector, public schools have nearly a monopoly. A dissatisfied parent or student has little freedom to change school districts, schools, or teachers. Therefore, in education as with other monopolies, there are reasonable grounds for "regulation" by the larger society.

A second reason for lay control over professional educators stems from the socially sensitive nature of the school's functions. Schools are commonly responsible for transmitting values from one generation to the next. In order to maintain society and ensure social cohesion, it is necessary that the values being handed down are consistent with those held by the wider society. The public must have the authority to accomplish this end. To paraphrase Talleyrand, "Education is too important to be left to educators."

A proposed school evaluation scheme must strike a delicate balance between several competing forces. Such compromises are complicated; many adjustments are necessary to accommodate the numerous legitimate interests involved in the interplay between professionalism, lay control, state protection, and local autonomy. Such compromises are certain to be, at best, prickly to one interest or another. Nevertheless, we propose a strategy which we believe simultaneously enhances student learning, efficient use of public resources, public participation, and the professionalism of educators.

# A NEW APPROACH[10]

In order to accomplish the purposes and remain within the constraints we have already described, we propose a seven-point reform plan. The seven components constitute a systemwide program, but each component stands on its own, as well. Should a state adopt any one recommendation separately, we believe the efficacy and efficiency of schooling would be still enhanced, though not as much as if the state adopts all or most of the components.

The reforms we recommend fall into the following categories: (1) using the school site as the basic unit of management, (2) parent advisory councils, (3) principal power, (4) statewide testing, (5) annual performance reports, (6) school-by-school budgeting and accounting, and (7) a "family choice" plan. We have deliberately deleted matters related to the evaluation of teachers from discussion in this immediate section. Teachers are such a crucial element of schooling that we devote an entire subsequent section to an analysis of the problems of educational personnel evaluation.

## The School Site As the Basic Unit of Management

Under present circumstances, school districts are considered the primary unit for school decision-making. This is true despite the plenary authority for education granted to state government. State legislatures have traditionally delegated much of their educational authority to local boards of education. School boards have existed as governmental entities for more than a century and, even though their numbers have dwindled dramatically over the last several decades, they exhibit no prospect of disappearing altogether. Furthermore, there are good functional reasons for their continued existence; they frequently are the appropriate unit for planning, coordinating, and evaluating school programs. For both practical and political reasons, we do not recommend abolition of school districts.

However, there are drawbacks to using the school district as the basic governmental building block for decision-making. The important contact between educator and client takes place, not at the district level, but at the school site. It is the teacher and principal, rather than central office personnel, who appear to be in the best position to make judgments about programs for students. It is to the local school that parents accord their strongest allegiance.

But if this is true, why not go one step further and employ the classroom as the basic management unit? In an earlier era we might have agreed with this notion. Today, even at the elementary level, students are in contact with more than one teacher during the school day or week. Team teaching is increasing, and intensified use of specialists makes it difficult to specify one group of students as the exclusive responsibility of one instructor. This is even more true at the secondary level. Because the classroom is too small and the district too large, we feel the individual school is the most reasonable unit for primary managerial functions, and our proposals hinge on this concept.

## Parent Advisory Councils

Oregon, more than many states, has retained an atmosphere of personal contact and integrity in education. However, even Oregon is subject to pressures which threaten this heritage. In order to protect against overpopulation and resulting depersonalization within school districts, and to facilitate a better "fit" between local school programs and client tastes, we recommend the formation of Parent Advisory Councils (PAC) for all schools in districts with more than 1000 students.[11] In Oregon this would be less than half of existing districts. The number of PAC members should be proportional to a school's enrollment. Figure 6-1 illustrates such a ratio scheme.

**table 6-1**
**PARENT ADVISORY COUNCIL MEMBERSHIP**

| School Enrollment | PAC Membership |
|---|---|
| 1–300 | 5 |
| 301–500 | 7 |
| 501–700 | 9 |
| 701–900 | 11 |
| 901+ | 13 |

Regardless of school size beyond 900 pupils, we do not recommend Parent Advisory Councils larger than 13 members. This number approaches the upper limit for effective small-group interaction.

Who is eligible to serve and how are they selected? The manner in which individuals become members of a PAC is crucial. There are many possible approaches. We feel that only parents of children presently enrolled in the school should serve on a given PAC. Citizens without children obviously have school-related interests, but they are probably better expressed at the school district or state level. Parents might be nominated by a nonpartisan caucus or by petition.[12] For example, any parent obtaining signatures from 5 percent of the eligible parents could be placed on the ballot.

We feel PAC members should be chosen from among the nominees by election. Nominations by principals or school board members are open to criticism on grounds of professional dominance, nonrepresentation, and personal favoritism. Imperfect as they are, elections are probably the best selection procedure. Terms of office should be for two-year periods, with a limit of no more than two terms. Terms should be staggered to provide continuity from year to year.

Parent Advisory Councils, as the label suggests, are advisory to the principal. Their most important function would be to participate in selection of the school's chief executive officer. The principal appears to be the single most important component of a successful school; it is extraordinarily rare to find a "good" school with an incompetent principal. Even though there are very few incentives for the principal to encourage good teaching, he or she appears to set the tone of a school and light the spark of excitement which spurs staff and students to excel. If the schools are going to offer programs in keeping with client tastes, then the public must participate in the selection of school principals.

PAC participation in principal selection can take place either from the ground up, or by a "trickle down" process. In the bottom-up approach, the PAC interviews applicants and recommends three to five acceptable candidates to the district's school board and administration. One or both of the latter then makes the final choice. In the trickle-down approach, the administration and/or school board narrows the field to a few acceptable candidates, then the local PAC makes the final choice. Whichever route is pursued, the principal should be given a three- to five-year contract, with renewal subject to approval by the PAC.

## Principal Power

The PAC's prime activity is to select the principal and then advise him on matters such as budget allocation, personnel policies, curriculum, and school discipline. However, within the boundaries of state statute and overall school district policy, the principal has the final word. The PAC is simply advisory. If a school system is to be accountable and responsive, the responsibility for success and failure must be precisely fixed. If the principal is to be held responsible for the success or failure of a school, then he must be given the power to make changes. This is what we mean by "Principal Power." The power is held in check by numerous legal constraints and the strengthened voice of teachers, and the principal is inherently constrained by the authority of the PAC to terminate or renew his contract.

What are the discretionary dimensions of the principal's decision-making? There are at least three important ones: personnel, budget, and curriculum. In hiring new personnel, a school principal might well receive guidelines from the PAC; current staff members at the school should voice their views regarding new employees and, above the ninth grade, students' views should be solicited. However, the principal should make the final decision. Presently, central office administrators usually recruit, interview, and then assign new teachers to schools. A principal may have veto power, but even that is seldom formally assured. We believe strongly that the principal, with advice from clients and staff, should make employment decisions. Besides being consistent with the axioms of accountability and principal power, there exists a modest amount of empirical evidence to buttress this idea's utility.[13]

Principals should also be chief budget officers for their schools. With the important exception of categorical funds for special programs, school monies should be distributed to each school as a lump sum according to equitable districtwide rules. Thereafter, each principal and his advisors should determine, within state and district guidelines, how they wish funds allocated. Under an ideal system this would include selecting the mix of courses, the mix of teachers at varying credential steps (see the next section on Educational Personnel), and how many teacher aides, tutors, and nonprofessional staff to employ.

Phasing in a lump-sum school budgeting system will take a number of years because of established financial commitments to existing staff. However, as several school districts throughout the nation have dramatically demonstrated, parents, administrators, and teachers can join forces to successfully exercise budgetary discretion at a school site.

Curriculum decisions are also bounded by state and district requirements. We would hope that the latter were few in number. Aside from state requirements, there are powerful pressures from sources such as college entrance standards, national textbook publishers, test manufacturers, and various federal incentive programs to standardize curriculum in our nation's schools.[14] Local boards of education need to withstand these pressures in order to preserve what program variation is still possible at the school site. When such discretion permits a choice among teaching methods or different program offerings, the principal should be the final authority. These decisions will almost inevitably be taken in conjunction with budget allocation decisions. Thus, the annual development of the school's budget should be a time of intense participation by PAC members and school staff. In the final analysis, though, curriculum decisions should be subject to the final authority of the principal.

## Statewide Testing Program

To this point, the weight of our plan has favored local control and intensified client participation. We have as yet offered no mechanism for protecting the state's interests. One such mechanism is a system of statewide examinations intended to assess student achievement in at least reading and mathematics. Other subjects might also be tested, at the discretion of the state legislature, but testing of the two basic skills is almost an absolute necessity.

An assumption here is that there is widespread acceptance of reading and computing as important minimal learning skills for every child. Some individuals may disagree on the relative significance of these skills, but few rational people would argue that they are of no importance. Consequently, it is likely that an annual statewide assessment of children's achievement in these two areas will be acceptable.

Other than to stipulate that the tests should be criterion-referenced, we do not recommend a single method of establishing a statewide testing scheme.[15] It is not necessary to test every child every year; by selecting a relatively small sample at each grade level from each school, students progress may be small sample at each grade level from each school, students' progress may be adequately measured. However, it is important that the sampling population be selected so as to accurately reflect the achievement of each grade level at each school. To sample in larger agregates would tell us how a district or state is performing, and these units are too large to permit accurate identification of which pupils are learning and which are not.

## Annual Performance Reports

Whereas the statewide testing program provides the state with an early-warning system regarding minimum levels of student achievement, the Annual Performance Report is primarily for local client interests. This report would appear once each year, probably in early spring. The principal would be ultimately responsible for overseeing its production, but it should have sections reserved for exclusive use of the Parent Advisory Council, students (above the ninth grade), and staff. The report would be published in local newspapers, posted prominently in the school, and, most importantly, sent home to the parents or guardian of each student. The report would be the primary printed instrument by which clients could assess the effectiveness of their local school.

Proliferation of reporting forms and data collection efforts has long been a frustrating fact of life in both the private and public sectors. If Annual Performance Reports are well designed, they should help to reduce some of the burden. For the state, federal government, and local school district as well as for the individual school site, the Annual Performance Report should be the primary data compilation instrument. The school district could aggregate the information it needed from school reports, and then pass them forward to the state. Rather than imposing an additional informational burden on local school personnel, the Annual Performance Report might well consolidate all other such efforts.

The contents of an Annual Performance Report should include topical categories and items such as those illustrated below:

**School Information**

Name, location, enrollment, age of building, number of classrooms, number of specialized rooms, school site size, state of repair, amount spent on maintenance in the last year and last decade, library volumes, etc.

**Staff Information**

Number of staff by category, proportion in various license classifications, age, sex, ethnic background, experience, degree levels, etc.

**Student Performance Information**

Intellectual performance: all results of student performance in standardized tests should be reported in terms of state-established minimum standards. Relative performance of different schools in the district should also be provided. Other performance information might also be included: student turnover rate; absenteeism; library circulation; performance of past students at next level of schooling (junior high, high school, college); etc.

**Areas of Strength**

Here the school can describe what it considers its unique or noteworthy characteristics. The purpose is to encourage every school to have one or more areas of particular specialization and competence, or to espouse a particular educational philosophy, or to employ a distinct methodology or approach. This section would inform parents about the tone or style of the school.

**Areas for Improvement**

This section would identify five areas in which a school needed improvement and would outline its plans regarding them. These problem areas might in some schools change over the years, but in others remain the same as the schools mounted a long-term improvement project. This section should encourage schools to be self-critical, to establish specific goals and to report on subsequent progress.

**Parent, Teacher and Student Assessment of School Performance**

Responsible parents, teachers and students should be permitted an uncensored opportunity to assess school performance. This section would permit various school constituencies to express their opinions of school success or failure with respect to such matters as instruction, curriculum development, racial relations, student participation in decision making, drug abuse, etc.[16]

## School Site Budgeting

In order to provide school sites with the flexibility they need to match programs with client tastes, they must be given budgetary discretion. This is best accomplished through a system of lump-sum allocations to individual schools based upon formal, districtwide rules. Presumably these rules would allocate an equal amount of money for every similarly-situated student in the district. This basic allocation would not include federal, state, or local categorical funds intended for specialized programs or populations (e.g., handicapped children and ESEA Title I). Each principal and his advisors would be free, within state and district budget guidelines, to determine the mix of items for which they wished to spend their funds.

To develop budgets on a school-by-school basis and not base accounting on the same unit would be foolish. Some means must exist for assuring that each school remains reasonably within the boundaries of its budget plan. Since it makes no sense, in terms of economies of scale, to have each school acting as a bursar, actual purchasing of most materials, payment of bills, and accounting for dollars should remain a function of the district central office. However, the district accounting office should keep its ledgers on a school-by-school basis. A rudimentary auditor's report should be included annually in a school's Performance Report. In addition to revealing how monies are being spent, school-by-school fiscal reporting is critical if we are ever to better understand the linkage between resources and school performance.[17]

## Family Choice

To some educational policy analysts, school voucher plans are attractive. The voucher concept would inject a substantial amount of the competitive market mechanism into the largely monopolistic public schools. There are numerous voucher plans, but the primary aim of each of them is to shift the decision-making power in education to parents and students (above a certain age). Under a voucher plan, a family would be given a voucher redeemable for services at any state-approved school. Some plans would permit vouchers to be redeemed by public, private, and sectarian schools, while other plans would limit choice to public schools.

Voucher plans have not been widely tried in lower education, although the concept has been used extensively at the postsecondary level in the form of the "GI Bill" for veterans. The only systematic effort to assess the consequences of vouchers at present is still in progress at Alum Rock, California.[18]

We reject the notion of a "pure" voucher scheme for two reasons. First, without an elaborate accountability mechanism, the state would have no way of ensuring its interests in minimal performance, social cohesion, and value transmission. Secondly, vouchers presently trigger such substantial opposition from almost all segments of the public school establishment that the political likelihood of their adoption is close to zero.

Despite these weaknesses, voucher plans are not all bad. Within limits, schooling might well benefit from an element of competition. Further, vouchers are a convenient mechanism for promoting greater client choice and stimulating greater diversity of offerings. For these reasons we advocate "family choice," but only among public schools.

Under such a plan, schools would be grouped into clusters of three or four. Small units within larger schools (mini schools) would be counted as separate operational units. In each school a specified segment of the curriculum would be devoted to those areas with state-established minimum performance standards. Outside these areas, each school within a cluster would be encouraged to adapt its courses and instructional style to the desires of its clients and develop a unique instructional format, tone, and quality. This unique style would be jointly determined by the principal, the staff, and (in high schools) the students, working in conjunction with the Parent Advisory Council. For example, some schools might emphasize a specialty such as vocational education, fine arts, mathematics, or ethnic studies. Some groups of parents might desire a school employing open corridor or open classroom techniques, while other parents might prefer a more structured and traditional school. In any event, decisions in such matters would involve the active participation of Parent Advisory Councils.

Once any plan is instituted, a careful record should be kept of family choices. If a clear-cut pattern emerges where one type of school is very popular and another type of school less popular, the district board and administrative staff should identify the reasons and take appropriate action. This might mean opening more schools of the popular type or allowing administrators of popular schools to manage another nearby school in similar fashion. If a school is consistently unpopular, the explanation might be found in the quality of the personnel, or simply in diminished demand for that type of school. In the latter case, the school might be eliminated or combined with another type of school. If the fault rests with personnel, steps should be taken to transfer them to a more appropriate setting.

The family choice plan is not particularly a radical idea. The mid-1970's "alternative school" movement provided parents with a choice of schools in many districts. A more formalized version of such an approach presently exists in Minneapolis, where preliminary evaluation by the National Institute of Education suggests remarkable parental satisfaction.[19]

# IMPROVING THE PERFORMANCE OF EDUCATORS

The overwhelming proportion of school costs are attributable to teacher and administrator salaries. In 1973-74 more than 70 percent ($350 million) of total school expenditures in Oregon were used to pay instructional and administrative personnel.[20] If the past accomplishments of Oregon's schools are to be sustained at reasonable costs, instructional personnel must be encouraged to be more productive.

Under the present system, we hold little hope that such an objective will be achieved on any significant scale. School systems are almost wholly inadequate in evaluating teaching, rewarding outstanding instructional performance, effectively utilizing highly specialized personnel, and encouraging employees to upgrade their skills. If schooling is to be made more effective, these weaknesses must be overcome. The proposals we offer in this section address these problems of professionalism and productivity. We will begin with a description of the teacher evaluation and performance incentive systems currently operating in public schools.

## The Present System of Incentives[21]

### TEACHER RECRUITMENT AND PRESERVICE TRAINING

Teacher training is subject to fads. Legislatures in some state require teachers to have only a Bachelor's degree, while in other states or at other times, graduate work may be required for a teaching certificate (seldom does this involve more than a year of study beyond the Bachelor level). Education majors usually must pass a number of courses in various facets of pedagogy and complete a period of "practice teaching" ranging from one semester to two years, depending upon the institution and state involved. Schools of education are usually permitted to establish their own admission and graduation standards, and relative to other professional schools, such standards are generally low. The result is that teachers, with some splendid exceptions, cannot match the academic qualifications of other professionals such as doctors, lawyers, or engineers.[22]

### CERTIFICATION

The knowledge and skills one must master during teacher training is seldom made clear, particularly in the area of practice teaching. The assignment of "student teachers" to mentors in the field is haphazard at best, and the supervision given a student teacher varies remarkably. The state usually acts only as a referee to ensure only that the credential candidate has taken the correct number of required courses. States traditionally delegate much of the authority over course content and supervision of credential candidates to schools of education.

### EMPLOYMENT

Once certified or licensed, the traditional pattern for teachers is to find initial employment either in a rural area or a central-city school system. The obvious consequence is to burden such districts with an inequitable proportion of inexperienced teachers.[23] (A sustained period of economic duress and teacher surplus may alter this pattern; as of now, there is insufficient information to judge.) Once hired, the ambitious teacher usually sets several career goals, including transfer to a "better" school or school district, tenure, and promotion.

### TENURE

Tenure is a frequently misunderstood term meaning that a teacher cannot be legally dismissed without "cause." Cause is typically defined as incompetence or moral turpitude. Tenured status, in most states, is granted upon completion of three years of successful classroom teaching; presumably during the three-year trial period, a teacher can be dismissed simply as a consequence of an administrative decision. However, this is becoming more complicated as court cases and dismissal hearings increasingly assert the due process applies even to dismissal of a probationary teacher. Typically it must be shown that a nontenured teacher's efforts were systematically evaluated and found wanting.

### EVALUATION

The overwhelming majority of teachers percolate upward through the system and are granted tenure, if not in the district where they are initially employed, then in their subsequent teaching position. Moreover, the proportion of tenured teachers dismissed for any reason is miniscule.

The problem is typically one of evaluation. How can you tell if a teacher is performing his or her job well? What yardstick should be used? There are widely conflicting views on the qualities of good teachers—probably as many opinions as there have ever been students.

Administrators argue that they are so belabored with paper work and other duties that they seldom have time to assess teachers' classroom performance. In the absence of glaring evidence to the contrary, the typical administrative judgment is that the "teaching is adequate" and the individual involved is promoted. Once a teacher has been promoted over the trial threshold to tenure dismissal becomes much more difficult.

To be sure there have been sporadic examples of teacher dismissals, but the majority of such cases have resulted from physical abuse of students or evident failure to maintain order in the classroom. Seldom are dismissals based on a teacher's inadequate instructional performance.

### MIGRATION

For teachers, a "better job" may require moving. Studies of teachers demonstrate that they typically perceive their status as being linked to the status of their students.[24] Thus teachers frequently attempt to gain jobs in middle-class, academically oriented schools. The effort to improve one's position may also involve a shift from elementary to secondary teaching. Secondary teaching, with its greater emphasis on specialization, usually leads to higher status and pay, and therefore draws teachers from the elementary ranks. The frequent pattern is for teachers to try to migrate from rural or central-city schools to middle-class suburban districts or schools on the periphery of a big-city district. The latter migration pattern is facilitated by contractual arrangements with school districts which usually make teacher transfers a function of seniority. Thus, assignment to the most desirable teaching locations is part of the reward system and becomes a professional prerogative of senior teachers. This transfer phenomenon typically leaves schools with low-income or hard-to-teach youngsters staffed by the least experienced teachers and a few dedicated professionals.

### PROMOTION AND PAY

"Getting ahead" is as important in teaching as it is in most occupations. However, an educator's salary is not tightly linked to his performance. The two primary determinants of a teacher's pay are number of years of experience and amount of schooling beyond the Bachelor's degree. Of the two, experience is typically rewarded more by school district salary schedules. Automatic teacher pay increases leave little room for administrator discretion or judgments regarding quality of performance. Why? Here again we are faced with the problems of evaluation and lack of agreement on teaching quality. In the absence of acceptable objective measures, teachers fear that administrator judgments will be overly subjective and open to favoritism. The outcome of this fear is a pay and promotion system which is politically sanitized, chronologically automatic, and relatively insulated from any assessment of instructional performance.

### UPWARD MOBILITY AND IMPLICIT REWARDS

Even when a teacher reaches the top of a district's salary schedule, his pay is not likely to be high relative to similar occupations. Consequently, ambitious teachers are frequently provoked into altering their careers, either by leaving education altogether or in some other fashion. The most frequent strategy is to strive for a school administrative position. The typical mobility pattern here is demonstration teacher, subject matter or grade-level department chairman, guidance counselor, vice principal, central office curriculum supervisor, assistant superintendent and then superintendent, state education department official or college instructor. Each of these steps generally involves substantially higher pay or prestige. Our educational system conveys its highest rewards, financial and otherwise, on those who are most removed from classroom teaching. In short, if you want to be a success in education, get out of teaching.

### INSERVICE TRAINING

Good education depends heavily on teachers keeping abreast of new developments, so the incentives are strong for teachers to continue their education and training. Oregon spends $10 to $20 million annually on inservice training of teachers. Unfortunately, the state and local school districts have forfeited control of the training endeavor; inservice education is almost completely at the discretion of the individual teacher. In most instances, pay scales provide salary increments whenever a certain plateau of college course credit is reached. The content of the courses or their relationship to a teacher's instructional performance is usually immaterial. Inservice training and continued education could be vastly more effective if these weaknesses could be overcome.

### SUMMARY

The present system of recruitment, training, licensing, employment, evaluation, promotion, and compensation of teachers discourages capable individuals from entering teaching and discourages those already in teaching from dedicating themselves to mastery of their instructional tasks. Moreover, it severely inhibits any form of effective supervision, supportive criticism, or pressure for change either by colleagues or administrators. Under such conditions it is no wonder that teachers frequently feel alienated, find it difficult to view themselves as professionals, and are eager to leave the classroom as soon as possible. In short, the personnel system in education is essentially out of control.

## A New System

Many of the problems of teacher effectiveness are triggered by conditions beyond the scope of this discussion. For example, part of the difficulty of increasing teacher professionalism arises from the lack of autonomy teachers have to make instructional decisions and influence district policy. It is difficult to imagine that physicians or other professionals would tolerate the administrative subjugation from which teachers are only now beginning to emerge. Aside from the necessity for basic reforms in school governance, though, there are steps which can be taken now to encourage greater teacher effectiveness and promote professionalism in education.

## TEACHER RECRUITMENT

During the Great Depression, many individuals sought the stable employment offered by a career in public school teaching. As a consequence, America was able to attract at that time one of its most capable cohorts of teachers. Economic instability in the mid-1970s, coupled with an excess of licensed teachers, may offer a similar opportunity to elevate the overall quality of teachers today.[25] Several useful steps in this direction can be taken by teacher training institutions.

First, colleges of education should elevate admission standards for teacher training programs. While making every effort to recruit candidates from a broad ethnic spectrum, admission officials should carefully scrutinize applicants so as to accept only the most qualified potential teachers. If such a program is pursued effectively over the next several years, scores of education students on the Graduate Record Examination and similar measures should equal or surpass those of students in many other graduate departments.

Oregon presently needs approximately 30-35,000 licensed teachers, and population projections suggest that this figure will remain stable at least for the next decade. In times of economic prosperity, career changes, promotions, retirements, deaths, etc. cause approximately a 10 percent turnover rate in school district professional staff; in periods of economic hardship, this rate drops to about 5 percent. Using these figures, we estimate that Oregon will need from 1,500 to 3,000 new teachers each year until 1985. At least until 1980, hiring figures are likely to be closer to the lower number. We estimate that only 1,983 new teachers were employed by local Oregon districts in 1974.

It is difficult to obtain precise figures, but we estimate that 5,000 to 8,000 individuals are now enrolled in Oregon's public and private teacher-training programs. Some of these persons, of course, anticipate jobs in other states or have career aims outside teaching. Nevertheless, the number of would-be teachers presently in training probably represents a misplaced investment. To correct this situation, we recommend that Oregon's teacher-training institutions proportionally decrease their number of students until annual production approximates 3,000. At the least, state policy should reduce the number of teacher-training positions at state institutions. The resources saved by such reductions should be redistributed to increase the quality and intensity of instruction for teacher trainees in ways we describe below.

## PRESERVICE TEACHER TRAINING

For both elementary and secondary school personnel, teacher training should take place exclusively at the graduate level. Following completion of a Bachelor's degree, an individual would be eligible to apply for admission to a school of education. The teacher-training program would occupy two years of graduate study, and successful candidates would receive a Master of Arts degree in Teaching (MAT). For secondary teachers this program would include a year of graduate work in a subject matter field. Students' respect for beginning teachers and teachers' self-respect, would be substantially enhanced if subject matter competence were better assured than is presently the case.

Elementary teachers should be specializing also, primarily in the teaching of reading and mathematics. In addition, they need an intensive understanding of child development processes. Beyond their graduate year of specialization, both elementary and secondary teacher trainees should spend an additional year in courses in pedagogy and practice teaching. Practice teaching should take place over an entire year, with the trainee assuming gradually increasing responsibility for a group of students. Practice teaching should take place under the tutelage of a supervisor from the school of education and under the supervision of a Master Teacher within the school. (We will have more to say later about Master Teachers.) An important part of the teacher training program would be compilation of a "professional portfolio," which subsequently will serve as the primary instrument for teacher evaluation.

## TEACHER LICENSING

Current state credentials should be replaced by four new certificates: (1) Intern Teacher, (2) Classroom Teacher, (3) Special Teacher, and (4) Master Teacher. Each of these categories would represent added levels of training, experience, and competence, and advancement from one level to the next would involve a number of evaluation procedures. Each successive credential category would have a significantly higher pay scale. In addition, each category would have its own prerequisites and duties, as described below:

### Intern Teacher

This credential category would be open to those individuals who successfully completed the two-year graduate program in teacher education. Academic performance over the two years and performance in practice teaching component would be weighed heavily in the certification requirements. Once awarded Intern Teacher status, an individual would be eligible for employment but would remain under the supervision of a Master Teacher for another two years. Intern Teachers would carry one-half to two-thirds of a normal teaching load while developing pedogogical techniques suitable to their instructional responsibilities. They would also plan and conduct simplified classroom research projects and would continue to accumulate useful materials for their professional portfolios.

### Classroom Teacher

Individuals who successfully complete at least two years of internship teaching and pass a formal evaluation would be licensed as Classroom

Teachers. These teachers would be eligible for a full load of classroom instructional responsibilities at either the elementary or secondary level. Because of greater emphasis upon professionalism and better preservice preparation, however, the Classroom Teacher would also have responsibilities for conducting research and helping to evaluate fellow teachers and administrators.

**Special Teacher**

This category would be open to Classroom Teachers with four years of successful experience. Candidates would need a minimum of one additional year of graduate study and would have to satisfy any additional requirements of the state teacher licensing commission for this credential level. Special Teachers would be eligible for instructional assignments requiring added knowledge and expertise, such as teaching physically and mentally handicapped children or underachieving students in low-income schools. To receive Special Teacher's pay, a teacher would have to actually work with a group of "special" students. It is not likely that such assignments would be in schools filled with normal children from comfortable economic circumstances.

**Master Teacher**

This category would be reserved for no more than ten percent of all teachers in the state. Certification as a Master Teacher would require a doctorate degree, successful service as an Intern Teacher, Classroom Teacher, and Special Teacher, and evaluation by the state teacher licensing commission. Master Teachers perform instructional and supervisonal functions consisting primarily of overseeing the practice teaching of trainees and the work of Intern Teachers. The title of Master Teacher would represent mastery of a subject-matter area of skill specialty, knowledge of pedagogical practices and research techniques and a record of outstanding performance as a teacher. Master Teachers should be professionals in every sense of the word, and they should enjoy the status, autonomy and pay of a professional. (Master Teachers should be on the same pay schedule as school principals.)

## TEACHER EVALUATION AND PROMOTION

Evaluation procedures are at the heart of any system designed to improve teacher performance. Such procedures must (1) be based upon valid and reliable information, (2) permit teacher participation in the establishment of evaluation ground rules, (3) incorporate judgment by fellow teachers, and (4) provide feedback to the individual being evaluated. We believe the following arrangements would satisfy these conditions.

**State Teacher Licensing Commission**

Primary responsibility for the establishment and maintenance of teacher evaluation regulations should rest with a special state licensing commission. This body would assess eligibility for the four credential levels we have already described. (Progress through the various steps within any credential category would be the responsibility of the local school district.)

The licensing commission should be composed of ten members, including two representatives from teacher-training institutions, two Master Teachers, and two superintendents. These six would be appointed by the state superintendent of public instruction with the approval of the state board of education. Two local school board members and two citizens would be appointed to the commission by the governor and state legislature. The term of office for commission members should be no less than two years and no more than four, and terms should be staggered to assure continuity of experience among the membership. The commission should receive enough funds from the legislature to cover operating expenses and the cost of a small staff.

The licensing commission would appoint regional review boards throughout the state, which would assess the qualifications of teachers applying for promotion from one credential category to another.

**Evaluation Procedures**

Upon completion of the prescribed years of service and other requirements for a particular credential category, a candidate for promotion would apply to the state teacher licensing commission for formal evaluation. The application would then be delegated to the appropriate regional review board. Each regional board would include one Master Teacher, one college faculty member, one superintendent, one school board member, and one citizen and would convene once annually, in the winter. The staff of the state commission would prepare the materials necessary for the Board's deliberations and schedule any required interviews with promotion candidates. Besides reviewing each candidate's professional portfolio, the regional board would have the prerogatives of interviewing the candidate and talking with students and parents, teaching colleagues and supervisors.

Each regional board would communicate its decisions to the state commission by early spring, and all candidates would be informed of credential decisions simultaneously. Candidates would be able to appeal negative decisions directly to the state commission. Successful promotion candidates would be eligible for any opening in the appropriate credential category, and all school districts would choose from the eligibility pool. In other words, it would be possible to have more eligible Special Teachers than Special Teaching positions; only those actually employed in such positions would draw commensurate pay. This point is particularly important in the instance of Master Teachers, since only 10 percent of the state's teachers can assume that rank.

**Professional Portfolio**

We believe it is crucial that teachers share the responsibility for their own evaluation. Toward this end we have already proposed that the state teacher licensing commission and its regional subunits be comprised partly of teachers. Beyond that, each teacher should assemble the basic evidence upon which evaluation will be based. This information would be used for annual evaluation at the school district level, as well as by the state and regional licensing commissions. The keystone of the individual teacher's record should be a "professional portfolio" consisting of the following items:

1. academic transcripts and a description of undergraduate, graduate, and professional coursework;
2. a record of the scores on statewide tests of the students who have been in the teacher's charge;
3. questionnaires completed each year by parents and students (above the eighth grade);
4. video tape records of observations and special instructional activities of the teacher;
5. letters of evaluation from Master Teachers, administrators, and college supervisors;
6. evidence of classroom research studies;
7. other items of the teacher's choosing which illustrate instructional prowess.

These items would provide the primary grist for the teacher evaluation mill. Regional review boards and the state commission could collect additional information wherever they believed it useful.

### THE ROLE OF THE LOCAL SCHOOL DISTRICT

Teacher evaluation clearly must take place more regularly than during the periodic assessments by the state teacher licensing commission. Between reviews for credential purposes, local officials must assume evaluation responsibility. This should be done every two years in a manner consistent with the state-level procedures we have described. A local district evaluation panel might be composed of a Master Teacher, principal, parent, and a student (above the eighth grade). Again, the teacher's professional portfolio should serve as the primary basis of such an evaluation.

Biennial local evaluation sessions will have at least two important outcomes. First, the individual teacher will be provided with feedback regarding his performance. This performance report, along with the state requirements for credential promotion, should serve as the primary guideposts for inservice education efforts. Secondly, the results of the evaluation will determine each teacher's placement on the district salary schedule for his particular credential category.

### INSERVICE EDUCATION

Oregon presently spends millions of dollars annually upgrading teachers' skills. However, these efforts are not tied systematically to a teacher's instructional performance. Despite a teacher's strengths and weaknesses, he is free to take whatever college courses he desires. The courses offered by teacher-training institutions are too frequently not useful to teachers, and teachers have little choice but to enroll in what is available. And in terms of salary schedule increments, it seldom matters what courses are taken. We propose that salary schedule advances be tied to the successful completion of courses consistent with the recommendations contained in a teacher's biennial local evaluation or with credential requirements.

In order to assure that college courses for teachers are as useful as possible, teacher organizations should form advisory panels to assist teacher-training institutions in determining course offerings. If this proves unsatisfactory, school districts should consider offering their own inservice education programs geared to local teacher needs. This would appear to be a function ideally suited for intermediate-level education units.[26] Such inservice arrangements could be more tightly geared to teacher-improvement requirements and would provide teacher-training institutions with badly needed competition.

### ADMINISTRATORS AND TEACHING

Because promotion to administrative positions now acts as an incentive to draw capable individuals away from classroom instruction, we have advocated that ten percent of the state's teachers receive the same salary as school principals. However, it probably will take more than this to restore dignity and status to classroom instruction. Consequently, we strongly urge that at least 90 percent of all school administrators in local school districts be required to carry at least a one-fifth teaching load. Such a provision would save the state some money, but much more importantly, it would convey the idea that instruction is the *sina qua non* of schooling.

## Prospects for Success

Given the obstacles facing any attempt to reform public education, what is it about the ideas proposed here which promises success? Why should these proposals succeed when previous plans have fallen short? It is possible that our proposals will also succumb to professional opposition, political inertia, or intellectual challenge. Nevertheless, we have tried to construct a judicious mix of existing analytic technology, market-place economics, and political participation sufficient to facilitate adoption.

The absence of a widespread consensus regarding the purposes of schooling has led us to advocate small decision-making units for setting most educational goals. Though it is by no means certain that all the parents at a particular school will agree, it is more probable that this relatively small unit can reach agreement than larger jurisdictions such as a school district, county, or state. Certainly this will be the case if the element of family choice is allowed; under this situation, parents would have more homogeneous educational tastes than is presently the case in most school systems. Consumer freedom and parent advisory councils should make it possible to reach agreement on goals at each school. Diversity of opinion can be accommodated by having different types of schools.

While facilitating agreement on educational objectives, this approach also enables the state to protect its interests, since each school is a sufficiently integral unit to permit the identification of failure. Through statewide tests, public officials can identify low levels of achievement in sufficient time to rectify the condition.

By establishing a hierarchical professional ladder and offering economic and status rewards for each successive step, our accountability plan endeavors to restore performance incentives for teachers. Professional autonomy and pride are enhanced by heavy reliance upon peer judgment in promotion decisions. Under these conditions teachers would gain control over their professional destiny heretofore unavailable. Also, paying capable teachers as much as school principals and requiring administrators to assume at least a minimal teaching load gives classroom instruction the added emphasis it must have if schools are to be made more productive.

Our proposals are directed, over the long run, at increasing school efficiency. By encouraging diversity in educational styles and instructional modes and identifying the most successful strategies, we can eventually build a body of pedagogical science. Feedback about school effectiveness will be generated by the statewide testing program and the school choices of families. One measure is relatively objective, the other subjective; both appear necessary to encompass the complicated aims of schooling. Moreover, school-by-school budgeting and accounting in time will permit more rigorous cost effectiveness analyses than are currently possible.

Our accountability scheme is not based upon unsupportable assumptions about educational technology. Instead, we have used a centuries-old mechanism for making decisions in the face of incomplete knowledge, competition and consumer choice. In the absence of widely accepted standards by which to judge school performance, the consumer should be able to choose what best satisfies his tastes. Assuming that parents have the best interests of their children at heart, they will choose schools and educational policies consistent with what they regard as "good" education.

Admittedly, all of this may appear complex and bulky. However, this is probably an inevitable consequence of a system which must balance complicated and potentially competing values such as lay control, professional autonomy, social cohesion, local choice, concern for private values, and prudent deployment of public funds. These values are presently out of balance, and the technical accountability model may be exacerbating the situation. Our hope is that an accountability model which acknowledges political reality and technical shortcomings may restore equilibrium.

# MAKING SCHOOLS MORE EFFICIENT

In that by far the largest proportion of school costs stems from instructional efforts, we have felt justified in devoting most of our attention to improving instructional proficiency. However, improvements in the technical operations of schools would also result in cost savings and added productivity. In the rest of this chapter we will discuss such technical matters. The reader should remember, though, that our efforts in this area have been nowhere near as exhaustive and intensive as our school finance analyses.

## School District Reorganization[27]

Oregon, like most states, has already achieved substantial progress in consolidating school districts. As recently as 1932 there were 1995 school districts in Oregon; by 1973-74 that number had been reduced to 339. Nevertheless, there remains a residue of confusion and inefficiency in state statutes that still recognize too many different categories of school districts—common, joint, unified, elementary, etc. Beyond that, there still are too many small districts. In 1972, 169 districts enrolled less than 500 students, and 245 districts had less than 1,000 students. Moreover, a substantial percentage of Oregon's school children are not in unified school districts. Their schooling is often jeopardized by unrelated and disjointed academic requirements that may suddenly change during the transition from elementary school to high school. In short, a number of organizational reforms are still badly needed.

### GOALS

Reorganization is rarely undertaken for its own sake; rather, it is employed to attain some broader objective. In the case of public education, five goals seem to underlie most reorganization efforts:

**Equality of Educational Opportunity**

The state has an obligation to ensure fair access to educational resources by those eligible for public schooling. Reorganization may improve the equality of educational opportunity by equalizing resource expenditures and program offerings based on the needs, interests, or abilities of all eligible students.

#### Equity of Public Education Tax Support

The tax burdens necessary to support the public education system should also be distributed fairly. The creation of intermediate education districts and the merger of school districts, for example, are used to equalize tax burdens within a state. Most of the post-Serrano controversy in school finance has involved this issue of taxpayer equity.

#### Effectiveness and Quality of Educational Resources

The state may also strive to improve the quality of the teaching and administrative personnel, facilities, supplies and other public school resources. Unification of districts, legislative and administrative curriculum requirements and staff certification procedures are examples of various reorganization efforts which may be directed toward this goal.

#### Efficiency in the Use of Public Resources

The scarcity of public resources demands efficient use of those resources which are invested in the school system. The initiation of better management procedures and efforts to eliminate service duplication and reduce per pupil costs exemplify efficiency-related motives for reorganization.

#### Maintenance of Public Support

Building public support for the state's school system is another objective of some reorganization efforts. For example, the prevalence of neighborhood schools and community-oriented school districts, local school board and bond election procedures and traditional reliance on local taxation all represent an effort to encourage local citizen involvement in school affairs.

### OBSTACLES

The issue is not the legitimacy of goals, but rather their relative priority in educational policy-making. There are several constraints which limit the state's reorganization options in pursuit of any particular objective. Factors which hamper the scope and success of such restructuring efforts include the following:

#### Tradition

School system reorganization is torn between two competing forces which characterize the history of American public education. On the one hand, the state has the ultimate legal authority and responsibility for organizing, maintaining, and reorganizing the public school system. On the other hand, the local school district retains political and economic supremacy in matters affecting the actual operation of the schools. As a result, state legislatures now find it difficult to assert their primary jurisdiction over reorganization issues. The tradition of local control represents a sizable obstacle to state-initiated organizational reform.

#### Lack of Consensus

The lack of statewide consensus on broad educational goals has also hampered reorganization efforts. For example, most parties favor the goal of "equal educational opportunity," but they may disagree whether that means equal expenditures per pupil, similar quality resources, access to a uniform minimal program or reduced student achievement ranges. Likewise, there are generally accepted empirical standards for other goals, such as resource effectiveness or efficiency.

#### Legislation

In many states, legislation applicable to school system organization has discouraged efforts at organization reform. Some legislative practices which may have such an inhibiting effect include: state financial grants to inefficient districts, state aid distribution patterns that exacerbate disparities in local taxable wealth, support for nonresident tuitions and limitations on the creation and assumption of bonded indebtedness.

Usually such provisions are enacted with little consideration of their potential impact on school system organization per se. Their existence creates a significant paradox, when the legislature's ability to fulfill its constitutional duty to provide a satisfactory public education organizational structure is hampered by its own past legislation. This suggests the need for a comprehensive review of educational legislation to remove roadblocks to effective reorganization.

#### Practical Factors

Often such factors as population density, climate conditions, transportation, topography or demographic characteristics will constrain efforts to improve school system structure. The "remote and necessary" district or school is a good example of an unavoidable yet suboptimal organizational unit. The task of the state here is to maximize the desired features of school system organization, subject to such practical constraints.

#### Political Opposition

Reorganization inevitably involves some redistribution of benefits and burdens. Therefore, it is not surprising that restructuring should be opposed by those who feel adequately served by the existing structure. Teachers and administrators may fear the loss of their jobs or changes in working conditions; taxpayers may be concerned about increasing their school-tax burden; parents may seek to keep their children in nearby schools; or board members may fear the loss of power or prestige.

These factors—individually or in combination—have tended to constrain comprehensive efforts at school system reorganization. Their influence varies depending on the specific situation, but each must be considered in planning legislative strategy for school reorganization.

The controversy surrounding school system reorganization stems from differing interpretations and priorities attached to the goals and constraints outlined above. This controversy may involve the desirability of reorganization or merely the direction which such restructuring should take. As the body responsible for creation and operation of the public school system, the state legislature has both the opportunity and authority to resolve such controversies through its policy-making and legislative activities.

## Inducing Compliance

How can resistance to district reorganization be overcome? Either incentives, penalties, or both, may be included in school reorganization statutes, depending on the importance of the legislation and the nature of anticipated enforcement problems. Examples of such features include the following:

**Procedural**

Specified deadlines for each phase of reorganization designation of an agency responsible for each phase, with an alternate plan in case the primary agency fails to act.

**Financial**

**a. General State Aid**

Eligibility for state aid dependent upon satisfactory organizational structure

Lower local tax rates for areas in compliance

Threatened loss of state aid in noncomplying areas

**b. Special State Aid**

Incentive grants of additional basic aid, transportation cost-sharing, capital outlay grants, liberalized debt ceilings, etc. for areas in compliance

**Program**

Specified minimum enrollment sizes for different types of schools, with specific procedures and criteria for variance from those norms

Specified minimum staff/pupil ratios for different school levels.

Specified minimum range of services and resources made available to each pupil.

**Accessibility**

Maximum transit time and/or distance from pupil residence to appropriate school, with specified procedures for approving exceptions.

The preceding examples suggest the many ways in which state legislation can influence school system organization, apart from passage of formal statutes directed at organization reform.

table 6-2

CATEGORIES OF SCHOOL DISTRICTS UNDER THE JURISDICTION OF THE STATE DEPARTMENT OF EDUCATION, 1974

| BASIC CATEGORIES | NO. OF DISTRICTS | NO. OF GRADES | NO. OF DIRECTORS |
|---|---|---|---|
| **Unified** | 187 | K-12,1-12 | 5,7,9 |
| with high school | 155 | | 5,7,9 |
| without high school (unified Elementary) | 32 | | 5 |
| **Elementary** (within boundary of Union High district) | 127 | K-6,1-6,K-8,1-8 | |
| **Union High** | 25 | 7-12-,9-12 | 5 |
| **TOTAL** | **339** | | |
| **OTHER NAMES USED IN THE OREGON REVISED STATUTES** | | | |
| **Common**<br>A non-Union high school district | 314 | all | 5 (under 3000)<br>7 (over 3000) |
| **Elementary-Unified**<br>A Common school district providing only elementary education but responsible for K-12 or 1-12 and contracting for secondary education | 32 | K-12,1-12 | 5 |
| **Elementary**<br>A Common school district providing only elementary education but contracting with other districts for the provision of secondary education | 127 | K-6,1-6, but usually K-8,1-8 | 5 |
| **Administrative**<br>A Common school district formed into an administrative unit | 100 | K-12,1-12 | 7,9 |
| **Unified**<br>A Common school district providing both elem. and secondary ed. | | K-12 1-12 | 5,7,9 |
| **Union High**<br>A non-Common school district providing secondary education only | 25 | 7-12, but usually 9-12 | 5 |
| **County Unit**<br>A Common or Union High district located in a county adopting the County Unit system (ORS 333) and composed of all territory in that county except areas included in<br>1) City district, or<br>2) Union High district which includes a City district or territory in more than one county (unless formed as in ORS 333.126) | 4 | 1-12 | 5 |
| **City**<br>A Common or Union High district containing at least 1000 children of school age, containing a city or incorporated town and located within a county with the County Unit system | 2 | 1-12,1-8 and 9-12 | 5,7 |
| **Joint**<br>A Common or Union High district composed of territory in two or more counties | 59 | all | 5,7,9 |
| **Suspended-taxing**<br>Paying tuition for K-12 or 1-12 but not operating schools. | 2 | 1-8 | 5 |

**Source:** Report of the Legislative Interim Committee on Education, December, 1974. p. 63.

## History of Oregon Legislation

In reviewing Oregon's school system reorganization statutes, one is immediately confronted with a bewildering array of organization classifications. The variety of legislative terminology is in itself a significant obstacle to developing an effective, comprehensive reorganization strategy. The problem is most acute at the intermediate and local district levels, which contain no less than 11 different types of units, excluding community college districts. These various types of school districts are listed in table 6-2 with the number of grades and involved with each.

Although unified, united elementary, elementary and union high school districts are most frequently encountered, this chart suggests the confusion and complexity produced by these different classifications. The problem is exacerbated by other types of districts which are now defunct, such as the "rural" school district which was replaced by the intermediate education district. In the interest of simplicity, the following historical summary selectively focuses on the major statutory provisions governing reorganization at the intermediate and local district levels.

## LOCAL DISTRICT LEVEL

Prior to 1947, Oregon had relied essentially upon voluntary consolidations and annexations for reduction in the number of school districts. In 1947, however, the legislature passed a limited mandatory reorganization statute which directly resulted in dissolution of 252 nonoperating districts. Restructuring of operating districts remained an optional and largely unguided process.

Aside from sponsoring Holy's report on the need for substantial district reorganization, the legislature passed little significant legislation in this area until 1957. In that year, the School District Reorganization Act created a semipermissive reorganization process at the local district level. Under this legislation, county reorganization committees elected by local school boards were charged with the responsibility for preparing district reorganization plans for each county. These plans were to be presented to local residents in public hearings for response and modification. Each county plan was then submitted for approval to the state board of education, which might conduct its own public hearings. Upon approval by the state board, each reorganization proposal was returned to its originating county committee for submission to voters in the affected area. Actual implementation of any reorganization plan depended on a 60 percent favorable vote in each district affected by the change.

This act has undergone frequent amendments since its inception (in addition to withstanding a 1961 repeal attempt). With the abolition of county reorganization committees in 1962, the state's reorganization system became a purely permissive one. Although its form has changed, the original 1957 act remains the principal legislation governing the reorganization of common school districts into "administrative school districts." At the moment, the provisions of ORS 330.505 to 330.780 outline the following procedure:

## REORGANIZATION INTO "ADMINISTRATIVE SCHOOL DISTRICTS"

### Plan Preparation

The Intermediate Education Board or governing body of each county may prepare reorganization plans.

### Plan Format

If a plan is developed, it must:

1) provide for the incorporation of county territory into one or more administrative school districts
2) specify existing and proposed district boundaries
3) recommend school location and related utilization practices
4) if proposed new district has less than 100,000 population, provide local school committees representing each school attendance area
5) indicate necessary transportation services
6) set out an equitable plan for adjustment of assets and liabilities of each district affected by the plan
7) if proposed district has less than 40,000 population, provide for election zones if considered desirable and terms of office of board members
8) provide for zone or at large election procedures
9) summarize reasons for proposed reorganization
10) if proposed district(s) involves joint county territory, designate in which IED the district(s) will be included
11) be supported by studies and surveys of specified factors

### Plan Consideration

The committee holds a public hearing on the proposed plan, makes any necessary modifications, adopts a final version, and submits it to the State Board of Education for approval.

### Plan Approval

The State Board, if it receives a remonstrance from a local citizen within 30 days after adoption of the plan by the local committee, must hold hearings prior to its decision; otherwise, no hearing is required. The Board must finally approve or reject the plan, and return it to the local body. If the plan is rejected, that body must revise it and resubmit it for Board approval.

### Plan Submission to Voters

A majority of favorable votes is required in each of the affected districts in order for the plan to be implemented. Subject to a potential repeat election, any rejecting district is excluded from the operationalization of the plan. The remaining districts also have the option of calling a new election based on the revised pattern of district participation.

From 1957 to 1969, a total of 98 new administrative districts were formed under this procedure, ranging in enrollment size from under 100 to over 17,000 pupils. To create these new units, 201 prior districts were dissolved.

A second district-level reorganization procedure is described in ORS 330.080 to 330.310. It specifies the conditions and procedures governing boundary changes or mergers among a county's districts. Both mandatory and permissive forms are involved, as outlined below:

## BOUNDARY CHANGES OR MERGERS

### Plan Preparation & Guidelines

A county-based district boundary board consisting of the IED board or the county governing body must require a district to merge under the following narrow conditions:

1) Its continuance is not required because of:
    a) geographic factors affecting transportation or
    b) sparsity of population, and
2) It has failed to operate a school for more than two successive years without Department of Education approval, or
3) It:
    a) is in a county with 35,000 or less population and
    b) school census fewer than 6 children, or
4) It:
    a) is in a county with 35,000 or more population and
    b) has an ADA of less than 18 for each of two successive years

**Plan Consideration & Approval**

If these strict conditions are not satisfied, the procedure depends on a motion by the board or receipt of a petition from three residents of a district. Under these circumstances, the board must find that the proposed change:

1) will not substantially hamper the ability of the districts affected to provide the legally-required educational program, and

2)will improve the educational facilities available to the children in the affected area, or result in substantial operating economies, and

3) is not made solely for reasons of tax advantage, and

4) will not likely have an adverse effect on contemplated plans for the creation of administrative school districts under ORS 330.505 to 330.780, and

5) will not result in any district with noncontiguous territory, and

6) will not result in any district having fewer than 20 children of school age

**Plan Submission to Voters**

Elections are required only upon receipt of a remonstrance signed by the lesser of 5 percent or 500 of the qualified voters in an affected area. Elections are held *only* in those districts filing such a remonstrance.

**Plan Approval**

Elections are held first in the least populous remonstrating district. If a majority approves the change, a subsequent election is held in the next most populous district, and so forth. A majority of favorable votes is required in any district which filed a suitable remonstrance. When no election is required, the boundary board orders the change made on its own authority.

Another voluntary reorganization procedure involves the extension into lower grades of the program of study offered by a union high school district. When all grades of the common schools which comprise the union high school district are covered in such a program extension, the result is the creation of a unified common school district. The procedure is summarized below:

## EXTENSION OF STUDY PROGRAM UNION HIGH SCHOOL DISTRICT

**Plan Preparation**

The union high school board may initiate the procedure on its own motion or upon receipt of a petition by 100 qualified district voters.

**Plan Consideration**

There are no hearings or other consideration procedures required besides the election itself.

**Plan Submission to Voters**

All suitable proposals for extension of the course of studies must be voted upon by the electorate of the union high school district.

**Plan Approval**

A majority of all votes cast in the union high school district is required for implementation of the plan. If the proposal wins, the State Superintendent of Public Instruction must then approve the new course of study. From 1957 to 1969, this procedure has been used in the unification of 17 union high school districts.

## COMPARISON WITH NEARBY STATES

Oregon has taken a more permissive and nondirective approach to the issue of school system reorganization than other nearby states. A summary of selected features of these other states' legislation is presented below (in bold face), with a comparison to Oregon statutes (in medium face):

**California**

**1. Simple majority vote in total area; no separate district vote unless assumption of bonded indebtedness involved.**

Majority required in each district; more liberal and flexible liability redistribution procedure.

**2. State buys buses and will pay total costs of transportation for 5 years if attendance centers are changed due to reorganization of classes or discontinuance of school.**

No comparable state transportation incentive for reorganization.

**3. K-12 unification proposals require voter approval in all nonunified territory.**

No elections required except on local board initiative or voter petition.

**4. Established ultimate goal of 2,000 student minimum for all districts providing K-12 education.**

Goal of unification expressed, but later repealed; no size objectives in statutes.

**5. Additional $20 state foundation aid given to unified districts or those who vote in favor of unification.**

No comparable incentive.

**6. Antiunification districts assessed a levy to be deposited in county treasury for areawide district aid.**

Similar provision requires certain elementary districts to support high school education for their students.

**Idaho**

**1. Established three district classifications:**

**a. minimum of $2,000,000 assessed valuation and 25+ teachers; graded 1-12 (with K optional).**

No comparable minimum standards of assessed valuation or staff size

**b. newly organized, unified districts must have 100+ high school pupils; grades 1-12 (with K optional)**

No minimum high school size requirements.

**c. all other newly organized districts are under administration of county school unit**

Creation of county unit is optional.

**2. Signatures of two-thirds of eligible voters required to separate from a reorganized district.**

One-fifth of voters required to call county wide election to consider dissociation.

**3. Mandatory reorganization deadline for all state territory.**

Never any mandatory deadlines.

**4. Abolished county school boards in reorganized counties; remaining boards in nonreorganized counties financed only by taxes levied on unreorganized section of county.**

No comparable provisions.

**Montana**

**1. Legislature superimposed high school districts over elementary school districts; forced creation of union high school districts.**

Creation of union high school districts purely voluntary.

**2. Established three district classifications:**

**1st –8,000+ population**

**2nd—1,000-8,000 population**
**3rd—less than 1,000 population**

Only population-related district classifications are for purposes of election zoning and terms of office of board members.

**3. Established minimum requirements for reorganized school districts:**
**—$75,000 assessed valuation**
**—15 school-age children**

Only comparable requirement: 20 pupil minimum in school districts reorganized under ORS 330.080 to 333.310.

Washington

**1. Adoption of reorganization plans depends on majority of all votes cast in the entire affected area (votes not tallied on a per-district basis).**

All election-dependent reorganizations must receive majority vote in each affected district (votes tallied on a per-district basis).

**2. Reduced state grants to all elementary districts with fewer than 100 pupils, unless the district is deemed "remote and necessary."**

No comparable "small district correction"; only a small *school* correction factor.

**3. State board of education can make special capital construction grants to those districts which reorganize into acceptable administrative units.**

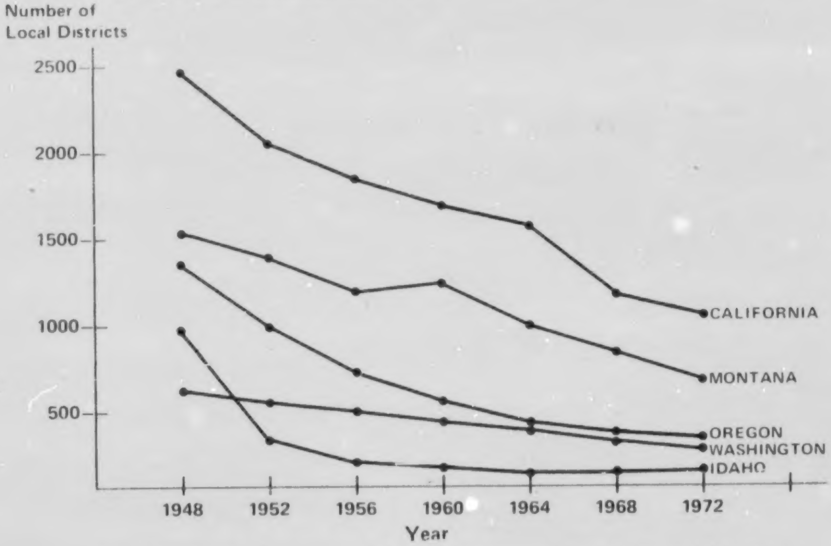
No comparable financial incentive for district reorganization.

**4. All union high school districts must contain all territory of any component school district.**

Oregon has "split" common school districts in which only part of district territory is included in union high school district; separate reorganization procedures required in such cases.

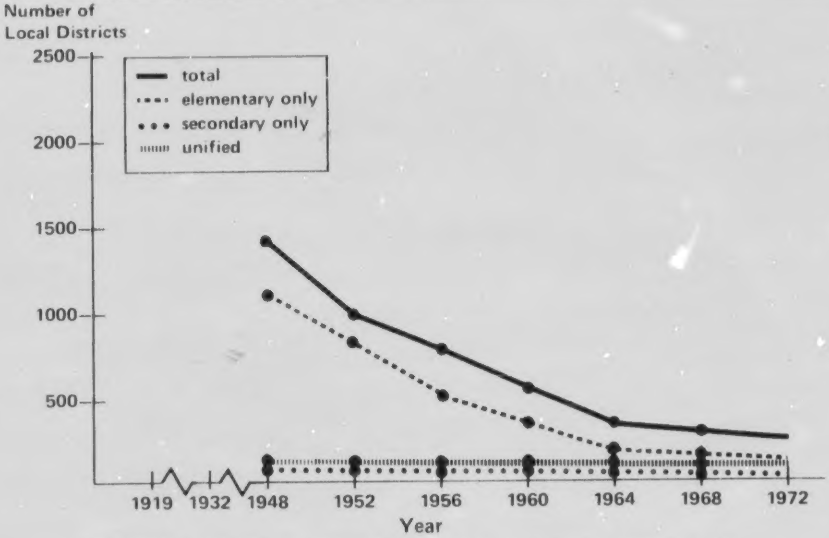
The following figures display trends in the number of districts and schools for the five states whose legislation was reviewed for this project. Idaho experienced the most dramatic four-year drop in local districts, during the period from 1948 to 1952, following enactment of fairly strict reorganization legislation in 1947. Only Washington, and, to a greater extent, California, have reduced the total number of local districts while increasing the number of individual schools in the public education system.

figure 6-1
24-YEAR PROFILE OF
SCHOOL DISTRICT REORGANIZATION



SOURCES: 1948-68 — National Educational Finance Project, Hooker & Mueller
1972 — U.S. Office of Education, 1972-73 Education Directory

figure 6-2
24-YEAR TREND IN OREGON
SCHOOL DISTRICT REORGANIZATION



SOURCES: 1919-68 — National Educational Finance Project, Hooker & Mueller
1972 — U.S. Office of Education, 1972-73 Education Directory

table 6-3

### OREGON DISTRICT, SCHOOL AND ENROLLMENT PROFILES BY DISTRICT SIZE (1971–1972)

| | District Size | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Less than 300 | 300 -599 | 600 -999 | 1000 -2499 | 2500 -4999 | 5000 -9999 | 10,000 -24,999 | More than 25,000 | Percent of State Total | Total Number |
| Percent of all 339 districts | | | | | | | | | | |
| elementary districts | 37.3 | 4.2 | 2.4 | 2.4 | .9 | – | – | – | 47.2 | 159 |
| secondary districts | 2.0 | 2.0 | 1.5 | .9 | .9 | – | – | – | 7.3 | 25 |
| unified districts | 10.7 | 6.8 | 5.6 | 10.7 | 6.2 | 4.2 | 1.2 | .3 | 45.7 | 155 |
| **all districts** | **50.0** | **13.0** | **9.5** | **14.0** | **8.0** | **4.2** | **1.2** | **.3** | **100.2** | **339** |
| Percent of all 1294 schools | | | | | | | | | | |
| elementary districts | 10.0 | 1.1 | 1.7 | 3.2 | 1.4 | – | – | – | 17.4 | 225 |
| secondary districts | .5 | .5 | .4 | .4 | .9 | – | – | – | 2.7 | 35 |
| unified districts | 5.7 | 4.6 | 4.3 | 13.8 | 14.0 | 16.5 | 11.4 | 9.4 | 79.7 | 1034 |
| **all districts** | **16.2** | **6.2** | **6.4** | **17.4** | **16.3** | **16.5** | **11.4** | **9.4** | **99.8** | **1294** |
| Percent of all 468,780 students | | | | | | | | | | |
| elementary districts | 2.5 | 1.2 | 1.2 | 2.9 | 2.1 | – | – | – | 9.9 | 46,000 |
| secondary districts | .2 | .7 | .9 | 1.0 | 2.6 | – | – | – | 5.4 | 25,940 |
| unified districts | 1.4 | 2.3 | 3.3 | 12.5 | 14.2 | 20.1 | 16.2 | 14.8 | 84.8 | 396,840 |
| **all districts** | **4.1** | **4.2** | **5.4** | **16.4** | **18.9** | **20.1** | **16.2** | **14.8** | **100.1** | **468,780** |

Figures 6-1 and 6-2 and table 6-3 summarize a wealth of information regarding school districts organization in Oregon.

**Reorganization Recommendations**

Ideally, we recommend a complete analysis of the structure and geographic boundaries of Oregon's school districts. Such an analysis might make it possible to decide the optimum district size for providing various educational services. For example, given the school-site management reforms we described earlier, it might be cost effective if all districts were comprised of one thousand students. However, we understand fully that efforts to consolidate school districts are fraught with political controversy, so we recommend a more modest proposal. Specifically, we suggest that the legislature require all presently nonunified school districts to form such units by July 1, 1976. The Interim Education Committee during the 1974 session formulated the details of such a change that would collapse Oregon's existing school districts into 178 unified districts. A few of these districts would still have less than a thousand pupils, but this arrangement would be markedly better. An added benefit of such a merger would be consolidation of all existing district categories into one—"unified districts."

**State Level Organization**

Oregon is presently handicapped by the absence of modern planning sections for fiscal affairs and school facilities within the State Department of Education. The department does not currently employ the analytically trained personnel needed to assess matters which affect state educational policy in these areas. Consequently, the long-range effects of such matters as enrollment shifts, proposed school finance reforms, and teacher collective bargaining proposals are not researched. We believe strongly that the State Department of Education should be provided with the funds necessary to employ a small nucleus of policy analysts, as well as discretionary funds with which to supplement their expertise on an *ad hoc* basis. Similarly, the department lacks the personnel necessary to gather the information necessary to coordinate state policy in the area of school facilities. Therefore we also suggest that a facilities section be established and funded by the legislature.

### TOTAL SCHOOL EXPENDITURE POLICIES

**Windfall Gains**

There have been a few instances when schools have enjoyed a substantial and unexpected boost in revenues. In a few districts and states, vastly expanded construction, property assessment reforms or new school finance distribution plans have occasionly resulted in windfall revenue gains. In 1966, the first year under Title I of the Elementary and Secondary Education Act, for instance, a healthy number of districts throughout the nation received more money than in the previous year.

There exists little systematic evidence on the matter, but the frequent impression among policy makers and educators is that without substantial lead time for planning, school districts are not well equipped to productively employ dramatic resource increases. The desire to spend new funds during a certain accounting year has sometimes led to overemployment and excessive purchases of capital goods. As a consequence of these experiences, a rule of thumb employed in federal legislation (and embedded in a number of state statutes and proposals) has evolved—a 15 percent annual increase in per pupil spending is the maximum most school districts can effectively utilize. (This is 15 percent above inflation.)

School finance reform proposals for Oregon, such as those described in chapter 4, create the likelihood of substantial revenue gains for some school districts. However, the fact that such proposals might cause dramatic revenue gains for a few small school districts does not diminish their overall value. All that is necessary is a relatively minor adjustment to assure that the windfall gain phenomenon is subject to reasonable control.

Our recommendation in this regard is a simple one. We propose that the new school finance plan contain a provision limiting new revenue for school districts to a 15 percent increase in per pupil expenditures. Funds in excess of this limit would revert to the state. This ceiling would be invoked only after adjusting for inflation.

The Oregon School Finance Computer Simulation model is programmed to project the consequences of a windfall gain revenue ceiling. The computer program can simulate the consequences of a 15 percent limit, or any other percentage level that is deemed desirable. Districts that would gain more than a specified percentage of new revenue per pupil are identified by the computer, and the dollar amount of any overage is displayed for each district and for the state as a whole.

**Public Expenditure Scrutiny**

The United States generally and Oregon in particular have long histories of lay control of public education. Since it is important that schools serve the general public, we believe public officials should take whatever steps are necessary to encourage active citizen participation in school policy matters. Budgets and purse strings are frequently the jugular veins of large organizations, and schools are probably no exception. Consequently, it is crucial to construct procedures by which citizens can express their views on school revenue matters.

Oregon presently employs a statutory mechanism to permit public "control" of school expenditures. Any school district proposing a budgeted expenditure increase in excess of six percent annually from a historically established revenue base must seek voter approval for the overage. This procedure is included in the state constitution and is strongly embedded in the litany of public fiscal control. Unfortunately, it appears to be dismally ineffective.

This present provision fails to accomplish its stated purposes for several reasons. First, factors such as inflation and enrollment growth have triggered the necessity for vastly expanded school expenditures. As a consequence, the majority of Oregon's school districts long ago outstripped the revenues permitted by 6 percent annual growth in their established revenue base. The inevitable outcome is an annual budget election in which voters have almost no choice. Present election procedures seldom permit voters to choose among school program trade-offs or various expenditure levels. Citizens either vote for the override or face the prospect of the schools being closed. Understandably, most school district budgets are passed.

The existing expenditure ceiling is ineffective for other reasons. It fails to take into account declining enrollments. Under the present situation, a district with a decreasing student population could increase its per pupil expenditures by more than 6 percent. Moreover, as demonstrated by the figures at the beginning of this chapter, Oregon's school costs have grown statewide by more than 6 percent for a number of years over the last decade even when we adjust for inflation. In short, it is time for a change. The existing revenue limit provision is deceptively ineffective, and those who defend it are probably performing a disservice for Oregon's citizens.

In place of the present provision we recommend that the state Constitution be amended to put the expenditure ceiling on a per pupil basis. Such a system would at least accommodate enrollment fluctuations. Perhaps a six percent annual increase rate could be justified on grounds of historical continuity, but such a system would not allow for periods of deflation or raging inflation. Perhaps it would be better to tie annual per pupil expenditures to a cost of living index. Under such an arrangement, per pupil school costs would be permitted statewide to increase (or decrease) each year according to the rate of inflation (or deflation) in the preceding year. If such a plan were adopted, we believe that the inflationary (or deflationary) rate should be cushioned by approximately 2 percentage points. This would allow for the lack of precision in calculating cost of living indices.

**IED Budget Limits**

The intermediate education district (IED) concept is useful, and even greater cooperation among districts in the offering of specialized services could be achieved through such units. Nevertheless, IED budgets might well be made subject to the expenditure controls described above. IED's presently have both an equalizing function and a program or service function. Under all the school finance reform alternatives described in chapter 4, the equalization function would be shifted either to the state or to new regional equalization districts. IED program functions could then be limited to the amount per pupil necessary to fund actual operating expenses in a base year, plus the previously described inflation (deflation) factor, plus a two percent "cushion."

**Provisions for Enrollment Declines**

In keeping with national trends, Oregon can expect stable or slightly declining enrollments until at least 1980. Some school districts have already felt the effects of lower birthrates. The most dramatic example of this is Portland, where enrollment dropped from a peak of 79,571 in 1963-64 to 63,637 in 1974-75. Other districts also have been surprised to find themselves with less students this year than last. In 1973, the legislature attempted to make provisions in the school finance statutes for enrollment declines. Regrettably, the newly enacted scheme appears flawed.

Under this plan, a district with declining enrollment receives not only a flat grant allocation and an equalization allocation based on the previous year's enrollment, but also an enrollment adjustment grant computed by multiplying 75 percent of the enrollment decline by the amount of the flat grant. For example, if a district has 3,000 ADMW on June 30, 1973 and 2,000 ADMW on December 30, 1973, it would receive flat grants in 1973-74 for 3,000 DAMW and declining enrollment grants (which are computed in the same manner as flat grants) for 750 ADMW. The district would receive a total grant in 1973-74 equivalent to flat grants for 3,750 ADMW, rather than the 2,000 ADMW actually enrolled. In 1974-75 if the district's enrollment remained at 2,000 ADMW, it would receive only a flat grant allocation for 2,000 ADMW, a loss of 1,750 ADMW from the year before. In other words, a district would be eligible for considerably more state money if its enrollment declined than if it remained constant, but it would face a dramatic resource reduction the subsequent year. The present enrollment decline adjustment builds up a district's state allocation one year only to take it away the next.

The intent behind the above provision is commendable. In the face of declining enrollments, districts require a degree of financial protection. This is the case simply because the pupil decreases do not always transpire in an orderly and predictable fashion. Teachers and other staff may have already been hired to serve the once-present students. Also, it frequently is necessary to sustain underpopulated schools, even though it may not be economical, if closing them would require disturbingly long bus rides for small children. In order to accommodate an orderly transition to a smaller pupil base, we propose that a district with declining enrollment be reimbursed by the state at .75 per ADMW for each student less than was enrolled the year before.

OPTIMO
PALMAS

# 7. THE TECHNOLOGY OF SCHOOL FINANCE REFORM

# INTRODUCTION

The Reading Sampler

A state which undertakes reform of its school finance system faces a large and complicated task. Not only must the present system be analyzed to document any problems or inequities that might exist, but predictions must also be made of how proposed changes will affect local districts in the state.

Neither task is easy, since most state school finance systems are extremely complicated. What once may have been a simple formula for financing public schools has usually been modified by state legislatures to mollify special interest groups, or to rectify some of the injustices which any general formula is bound to produce. Over time these small changes make the school finance formula a mesh of adjustments and computations that is often difficult for even school boards and administrators to fully understand. The pressures of rising educational costs also lead to the addition of new sources of revenue to support public education. This further complicates a state's school finance system.

Given this situation, one of the most useful tools a state can have is a simulation which gives it the capability to quickly and accurately estimate the impact of recommended changes. Legislators usually like to examine several alternative solutions, so they can try them on for political feasibility. This is technically possible, but very difficult. An adequate finance system is a complex collection of interrelated parts, so change in one part affects the whole. It is simply not feasible to present several alternatives for each of the parts and allow legislators to choose among them at random. The results are apt to be completely unforeseen and unworkable. It is more sensible to present instead one or more complete packages, each consisting of a finely tuned set of recommendations that will be equitable and fiscally reasonable.

A simulation has another valuable function when proposals for school finance come up for legislative hearings. Legislative committees are understandably anxious to know the effects of any modifications they may wish to make to the recommendations submitted to them. But state departments of education and legislators have long been handicapped by an inability to determine the fiscal effects of such changes within the time constraints of legislative sessions. Usually they are limited either to completely costing out one or two alternatives, or to testing a larger number of alternatives in a small sample of districts and hoping that the results are not too surprising when a program is finally put into effect. Sometimes even these choices may take too long to meet legislative deadlines.

The advent of computers has made it feasible to design a simulation that will allow those interested to try a number of different possibilities in a short period of time and predict with some certainty their effect on each district, as well as the state as a whole.

With these considerations in mind, the research staff determined that it was absolutely essential to develop a computerized simulation for Oregon that would allow various alternatives to be tested during the development of recommendations. For each district, a variety of data on students, finances, taxing ability, programs, and various measures of the socio-economic status of residents has been stored in the simulation. With this information, the simulation can estimate the costs and benefits of proposed changes for each district in the state and for the state as a whole.

The simulation was necessary if the staff wanted to be able to present more than a single alternative proposal. It allows the exact effects of changing various parts of a system to be tested. By using the simulation, the research staff could observe the reality of their ideas, and insure that no nasty surprises would go undetected. Such information is valuable in selling any recommendation, for people are sure to look askance at suggestions of major changes when they cannot know what they may get from them and what it may cost them.

One handicap with the simulation has been the difficulty of projecting the effects of a school finance system for future years. This has been one of the flaws of computer simulations used in other states. They can simulate the effects of a proposed finance plan for only one year, the one for which data have been entered into the simulation. This is a serious drawback, for costs and benefits for future years can be substantially different than in the current year.

The Oregon simulation has the capability of simulating results for six years (1973-74 through 1978-79). In order to build this capacity, it was necessary to gather data on the predicted property values in each school district for each year through 1978-79. It was also necessary to build a projection of student enrollment in each district for each future year.

The remainder of this chapter discusses the methods used and the problems encountered in developing the simulation, and gives a detailed description of the simulation and how to use it.

# DATA PROBLEMS

## Collecting Data

The first task of any group of school finance analysts is to collect the data required to describe the current system. Then the results of recommendations can be simulated for the current year and in future years.

The first place to look for data on the state's school finance system is the State Department of Education. Unfortunately, the data collected by state departments of education are often poor in quality, missing entirely, not available in a readily usable form, or inappropriate for policy purposes. While the school finance data in Oregon have generally been quite good, there were many problems that had to be overcome before they could be used.

First, the department has several different sets of data. There are budget data, which are taken from the annual budgets submitted by local school districts. Budget data are most useful in analyzing the behavior of local school districts, since they are what the districts use to determine their local budget levies and current operating expenditures. The department also has its own estimated data which it uses in computing each district's state school aid allocation. Finally, the department collects audited data, but these are usually a year or two old and not very useful for policy purposes.

The second problem in using the data from the State Department of Education was gaining access to it. Most of the data submitted by school districts is neither put into a central data file nor published in an easily readable form. In order to collect the data which were needed, staff members at the department had to copy by hand hundreds of items from the data forms submitted by each of the state's 339 school districts. This process took several months, and even then not all the information needed was made available to the study team. The hand tabulation of data increases the possibility of numerous errors. More important, however, were the misunderstandings on what was being supplied. A clerk often had to decide whether to provide data in one form or another. This led to many errors and considerable delay in the preparation of the study group's findings.

An alternative to using the department's data would have been to go out and dig up the required data from each school district. Most policy studies have neither the time nor the money to support such a large data collection operation.

There are some other sources besides state data which may be useful in some states. Bureaus of governmental research at universities, chambers of commerce, the League of Women Voters and other groups may have useful data on the state's school finances. But using unofficial data, even though they may be better than the official data, is fraught with peril. If opponents can use the official data to cast doubt on a study's analyses or recommendations, the credibility of the study will be undermined.

Another source of some data is the U.S. Census. Before 1970, censuses gave data by census tract, city or county, congressional district, and state, but not by school district. The U.S. Office of Education contracted with the Bureau of the Census to code by school district the fourth count data of the 1970 census. This information is potentially of great use. But one should keep in mind that many people do not know in which school district they reside, and school district boundaries were often unknown to census-takers. Also, in some states there are overlapping elementary and secondary districts and it is uncertain what was done by the census bureau in such cases. Nevertheless, this is a potential gold mine of information on certain population characteristics for those doing school finance studies.

In Oregon the staff decided to rely on data provided by the State Department of Education. The department was very helpful in supplying the needed data and in helping the study group interpret both the meaning and accuracy of the data in situations which were inexplicable to the researchers. These data were eventually cleaned up and entered into the computer simulation.

## Predicting Property Value

The method used to predict property value in Oregon school districts is one of linear projection of past property values (true cash value, or TCV) data, using a "line of best fit" to the data for the past five years. Data on TCV for each district for the years 1969-70 through 1973-74 were obtained from the Department of Education. It should be noted that assessment practices in Oregon are substantially better than in most states, and it was possible to accept the assessed values as being the true cash values.

A computer program was written that would compute a statistical line of regression (a "line of best fit") through the five years of data for each district. This line was then used to predict the values for the following five years. The results for a typical district might look as shown in figure 7-1, where the solid dots represent the actual TCV for previous years, the diagonal line is the line of regression, and the open dots are the predicted TCV for future years. This method of prediction is designated as Method I.

As can be seen from figure 7-1, it is possible that the use of Method I could result in a prediction of a lower TCV in 1974-75 than in 1973-74, even though the line of regression indicated a rising TCV and the values for years beyond 1974-75 increased uniformly. Method II is an attempt to remedy that problem. The line of regression is calculated as before, but then a new line is drawn parallel to it starting at the 1973-74 TCV, and this new line is used for the predictions. Figure 7-2 shows this, with the dashed line being the new prediction line.

A third prediction method, Method III, arises from the fact that Oregon county assessors divide their counties into geographical areas and reassess them on a rotation basis. Typically, a particular area may be reassessed once every six years. In the year that an area is reassessed, the school districts in that area may experience a sudden jump in assessed valuation. To offset this, the assumption was made that if the TCV jumped by more than 25% in one year in a district, it was the result of a reassessment. In such cases, the data for previous years were adjusted upward to approximately what they would have been if the reassessment had been in effect for the previous years. This was done, in effect, by drawing a line through the dots representing TCV for the two years following the reassessment, and extending it backward one year. The TCV for the year immediately preceding the reassessment was put on this line, and the TCV for preceding years was adjusted upward proportionately. After this adjustment, a line of regression was determined and predictions of TCV made as in Method I.

Figure 7-3 shows this procedure. The solid dots are the actual TCV. The dashed line is the line used to adjust the TCV in the year immediately preceding the reassessment. The Xs are the adjusted TCV. The solid line is the line of regression, and the open dots are the predicted TCV.

Finally, Method IV adjusts TCV where there has been a reassessment in the same manner as Method III, but then uses a prediction line proceeding from the 1973-74 value as in Method II.

The statewide totals that resulted from each prediction method are given in table 7-1.

Computer printouts giving the actual and predicted TCV for each of the 339 Oregon school districts using the four prediction methods were sent to the Department of Revenue for their suggestions. They were asked to indicate which of the four methods appeared to best approximate the statewide totals computed by them. In addition, they were asked to suggest corrections to the predicted TCV of particular districts on the basis of known information that would make the computer predictions unreasonable, such as knowledge that a nuclear power plant was being built in a particular district.

figure 7-1
PREDICTING PROPERTY VALUE: METHOD I

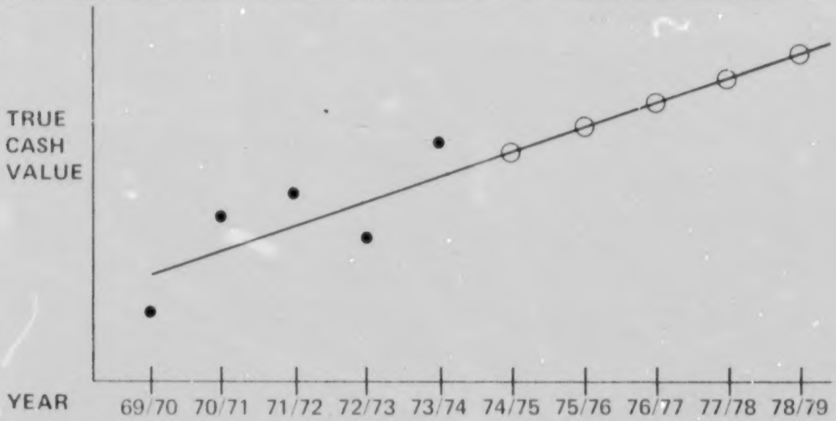


figure 7-2
PREDICTING PROPERTY VALUE: METHOD II

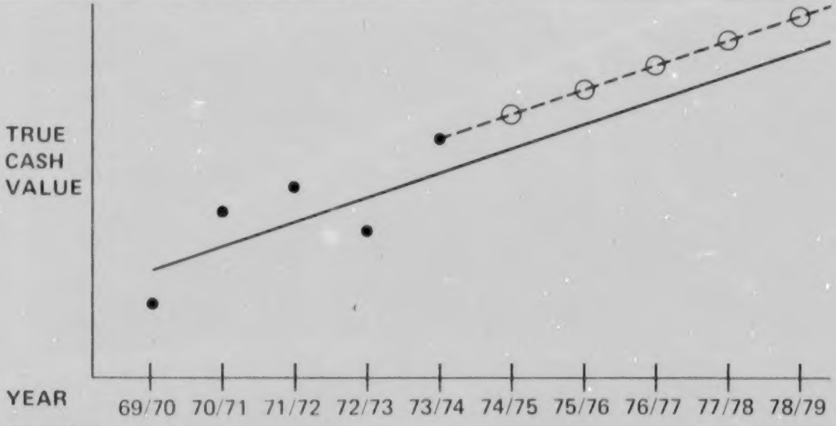
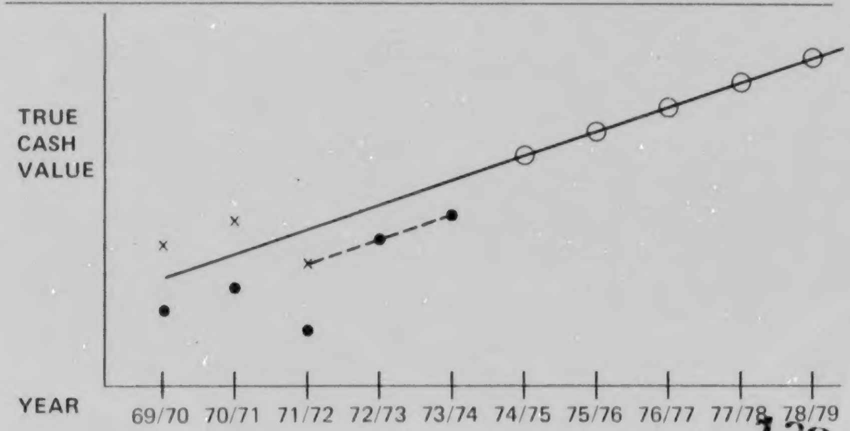


figure 7-3
PREDICTING PROPERTY VALUE: METHOD III



The Department of Revenue felt that Method I was the best of the four methods to use since it represents a conservative estimate of growth of TCV statewide.[1] They felt that it was undesirable to make adjustments to predictions for individual districts, because it would be difficult to know where to stop. The state totals for Method I are remarkably close to the Department of Revenue's projections, as table 7-2 indicates.

Subsequent to the initial predictions, the actual statewide TCV for 1974-75 was announced. This total was $28.4 billion, much higher than had been predicted by anyone. Unfortunately, there was no way of getting the new TCV for each school district before the deadline for submission of this report, yet the jump in TCV was so large that it must be accounted for in the projections used in the simulation. As a best approximation, we plotted the points for the original statewide predictions from 1974-75 to 1978-79. This was a straight line sloping upward and passing through the point $25.85 billion in 1974-75.

A new line was drawn parallel to this line, passing through the point $28.4 billion in 1974-75. This line was 9.8% above the original line in 1974-75, 9.2% above it in 1975-76, 8.6% above in 1976-77, 8.2% in 1977-78, and 7.7% in 1978-79. The original predictions for each district were then adjusted by these percentages.

This procedure involves two assumptions which could be challenged: that the statewide TCV would continue to climb at its previous rate after the single big jump in 1974-75 and that all districts would benefit equally from the increase. Lacking more data, there seemed to be no better alternative to these assumptions.

The new statewide predicted TCV totals are shown in table 7-3.

table 7-1
**STATEWIDE TCV, ACTUAL AND PREDICTED**
**(thousands of dollars)**

| | |
|---|---|
| **Actual:** | |
| 1969-70 | $17,190,287 |
| 1970-71 | 18,690,096 |
| 1971-72 | 20,106,596 |
| 1972-73 | 21,821,877 |
| 1973-74 | 24,583,994 |
| **Predicted:** | **Method I** |
| 1974-75 | $25,854,314 |
| 1975-76 | 27,646,234 |
| 1976-77 | 29,438,150 |
| 1977-78 | 31,230,069 |
| 1978-79 | 33,021,987 |
| | **Method II** |
| | $26,375,912 |
| | 28,167,830 |
| | 29,959,748 |
| | 31,751,666 |
| | 33,543,584 |
| **Method III** | **Method IV** |
| $25,846,384 | $26,247,439 |
| 27,509,830 | 27,910,884 |
| 29,173,273 | 29,574,328 |
| 30,836,719 | 31,237,773 |
| 32,500,163 | 32,901,217 |

table 7-2
**STATEWIDE TCV PROJECTIONS**
**(thousands of dollars)**

| Year | Dept. of Revenue | Method I |
|---|---|---|
| 1974-75 | $25,917,300 | $25,854,314 |
| 1975-76 | 27,640,700 | 27,646,234 |
| 1976-77 | 29,364,200 | 29,438,150 |
| 1977-78 | 31,087,600 | 31,230,069 |
| 1978-79 | 32,811,200 | 33,021,987 |

table 7-3
**REVISED STATEWIDE TCV PREDICTIONS**
**(thousands of dollars)**

| Year | TCV |
|---|---|
| 1974-75 | $28,388,026 |
| 1975-76 | 30,189,688 |
| 1976-77 | 31,969,844 |
| 1977-78 | 33,790,928 |
| 1978-79 | 35,564,668 |

## Enrollment Projections[2]

In order to analyze the long term effects of alternative school finance plans on each of Oregon's 339 school districts, it is necessary to have reliable projections of average daily membership for at least five years into the future. Currently, the State Department of Education makes statewide projections of ADM and enrollment. Some of the larger districts also make their own district projections. No one, however, produces projections for all districts which would permit fiscal analysis of school finance plans.

The basic data for making projections are data on ADM by grade level for up to ten years in the past. Unfortunately, such data were not available; data were only available for the grade groups 1-8 and 9-12. However, enrollment data by grade level for each district were available for the past ten years, and these were used to make ADM projections.

There are basically three methods of projecting enrollment (from which the ADM projections are inferred): the cohort survival or grade progression method, the "straight line" projection method, and the least squares projection method.

The cohort survival method is based on percentage changes in the size of groups of children over time. For example, it compares the number of third graders in 1970-71 with the number of fourth graders in 1971-72, since these constitute students who go through school as a group which changes in size as new students join it or present students leave it. The percentage change from third to fourth grade is calculated. Similarly, the percentage change from the 1971-72 third grade to the 1972-73 fourth grade is calculated, as is the third-to-fourth grade change for each year of the data. These percentage changes are than appropriately averaged (see the description of LAG and HILO below) and the resulting percentage is used to predict the size of the fourth grade in each year from the size of the third grade in the preceding year. The same is done for each grade.

The "straight line" projection method uses the same basic technique except that it examines percentage changes in the number of students in a particular grade over time, instead of changes in the size of a cohort of students.

The least squares projection method is like the straight line method in using data for a single grade level over a period of years, but it draws a statistical line of best fit through the enrollments for a grade level over the years and uses the line to project enrollments for that grade in future years.

In using each of these three methods, there are some options that must be exercised. One of these is to determine the number of years of historical data to use in deriving percentages. For example, in generating the three initial projections submitted to Oregon planners, the research staff used all ten years of data in the grade progression and straight line methods, but only the last five years of data in the least squares method. This option is called the LAG option in the computer model, and for each projection one must specify the LAG desired. This option is important, particularly if there has been a major change in the composition of the population during the period for which data are available. If the number of live births declines, as it has in the last decade, then a more recent set of data is likely to give better results.

Another option used with the grade progression and straight line methods deals with the rejection of abnormally high or low percentage changes. In this option, called HILO, the forecaster determines the number of highest or lowest percentages to be combined. For example, one may specify that out of the last five years (LAG option) it is useful in a particular setting to use only the average of the three greatest percentage increases. In this case the HILO option is +3. To specify the three smallest percentage increases (including percentage decreases) one would indicate −3.

The combination of methods and options gives policy-makers in Oregon over 200 alternatives by which to project future student enrollment.

After receiving ten years of enrollment data from the State Department of Education, three sets of projections were made, using the three different sets of methods and options. The intent was to have educational planners in the state, who were familiar with demographic forecasting techniques as well as general demographic trends in Oregon, select a dozen or so combinations of methods and options which would best reflect the assumptions about demographic changes in Oregon. The study group would then use those suggestions to generate the enrollment projections. Finally, the planners would select from the resulting dozen or so projections the one set they thought best described the likely enrollment trends in the state.

For several reasons this method of developing the enrollment projections was not carried out precisely as planned. There were some problems in collecting data and in getting the projection programs to work. Consequently instead of being told which options Oregon planners would like to see run, the study group was told only which of the runs most closely approximated the statewide enrollment estimates done by the State Department of Education.

After receiving the reactions of state officials to the three trial runs, a number of additional runs were made in an attempt to match the state projections. Matching in this case meant that the projections for K, 1-8, and 9-12 for each district had to approximate the official enrollment projections for the state as a whole.

After about 20 runs, the study group was still not satisfied that any projections were uniformly close for all the groups of grades for each of the five years needed. As a consequence, a separate analysis program was written which printed out percentage comparisons between a particular computer run and Oregon estimates. This had the advantage of greatly reducing the cost of computer runs. More importantly, it provided the possibility for quick standard comparisons among runs.

After more than 20 additional runs with this added program, there were still some problems in matching the projections over time and matching among grade groupings. For example, when projections for year one were approximately correct, estimates for year five were too low. When estimates tended to be approximately correct for the fifth year, they were high for the early years. Problems were less general within groupings.

At this point the research staff was faced with a dilemma and had to reexamine basic premises. One basic premise was that the enrollment data were sufficient to encompass the vast majority of cases of changes in student enrollments. The second premise was that the enrollment data the research staff provided were the same data used by the planners making projections for the State Department of Education. Upon investigation this turned out not to be the case. In fact we were attempting to match forecasts generated off a different data base.

The enrollment data provided by the State Department of Education included a large number of cases of "double reporting," whereby a student who changes school districts during the year is reported as attending school in both districts. When the data were finally adjusted for these cases, the changes forced another modification in the projection procedure.

A previous computer run using the least squares option with a LAG of four years which best matched the revised projections of the department planners was selected. By comparing the two sets of projections, it was determined that a close match could be achieved by reducing all elementary data to 89% of its original value, and reducing high school data to 93% of its original value. Appropriate modifications were made in the computer program and the particular projection technique was rerun.

It was now necessary to convert the enrollment projections to ADM projections. For this purpose, the department's projections of statewide ADM for grades 1-8 and 9-12 were used. The difference between our enrollment projections for these groups and the department's ADM projections for each year of the projection was expressed as a percentage, and the projections for each district multiplied by these percentages.

The use of the department's projections of statewide data as a basis for modifying our projections can be defended on the basis that these statewide projections have been quite accurate in the past. However, it should be noted that the confidence one can place in any projection declines with the size of the district. In very small districts, the enrollment can fluctuate wildly and there is no projection method that can predict these swings.

The projections which were used by the study group are included in the data supplement to this report. To illustrate the fit between the research staff's projections and the State Department of Education's forecasts, numbers for grades 1-8 enrollment forecasts are compared in table 7-4.

**table 7-4**
**COMPARISON OF ENROLLMENT PROJECTIONS**

| | 1974-75 | 1975-76 |
|---|---|---|
| Research staff | 304,281 | 301,452 |
| State Planners | 304,342 | 301,466 |
| | **1976-77** | **1977-78** |
| Research staff | 300,293 | 298,320 |
| State Planners | 300,391 | 298,445 |
| | | **1978-79** |
| Research staff | | 295,498 |
| State Planners | | 295,663 |

# THE OREGON SCHOOL FINANCE SIMULATION

## Introduction

In the following pages the simulation and how to use it are described. A listing of the basic data arrays, calculated data arrays, and decisions is given, followed by comments on the decisions. Next, technical details and a general flow chart are given. This is followed by a verbal description of the calculations in the MAIN program, and a section describing how to add new arrays and decisions to the simulation.

It is anticipated that the simulation will be useful not only at present, but in future years. For this reason, it is written in the most widely known programming language, FORTRAN, and is liberally documented. It is designed so that it can be easily updated with new data, and so that additional options (new decisions, calculations, and arrays) can easily be added.

By design, the simulation does not represent the full complexity of present Oregon school finance, for one of the goals of a revision of school finance in Oregon is to reduce that complexity. Even so, it retains considerably more complexity than is desirable, because of the effect of such things as the County School Fund, which cannot readily be eliminated. In any case, given the present simulation, it will be quite easy to add any complexities desired. If amounts can be calculated by hand or desk calculator, the simulation can be programmed to do the same thing automatically.

School finance simulations have been developed in a few other states, but none of them can be directly imported into Oregon. The finance setup in each state is sufficiently unique that it is more feasible to develop a simulation *de novo* than to try to adapt one from somewhere else. The National Educational Finance Project (NEFP) developed a simulation that was supposed to be applicable to any state, but actually it cannot be used in any state without extensive modification. The Oregon simulation acknowledges a debt to the NEFP simulation, for many of its basic concepts have been used. But in a number of respects the Oregon simulation represents a major advance over the NEFP simulation, and over other simulations in existence, both in concept and in programming.

The simulation is composed of several parts:

1. A set of input data arrays. Each array contains data on one particular item for each of the 339 districts in Oregon. The arrays contain data having to do with number and types of students, district true cash value, tax rates, income in various categories, and data on other items such as transportation, capital outlay, and debt service. It is these data on which the simulation operates.
2. A set of decisions, which are to be made by the simulator. The decisions determine the year that is to be simulated, the weighting to be given to students in various categories, the type of general state aid program and the parameters of that program, the categorical grants to be used, various special provisions, and the printing directions.
3. A set of output arrays. These arrays contain data calculated by the simulation based on the input data and the decisions. The simulator may print any of the input and output arrays in any order.
4. The programs which make the calculations and direct the printing of results.

## How To Use The Simulation

The simulation is installed at the state computer center in Salem, Oregon where it is stored on tape. All that is necessary to operate it are a few "JCL" cards which activate the program, a few cards on which the decisions made by the simulator are recorded, and a few cards on which the variables to be printed are indicated. These cards are to be punched as follows:

1. JCL cards. These cards differ for each computer. A local systems programmer can easily determine the necessary card given the program listing. gram listing.

2. Decision cards.

a. The first card is to be punched &DECS with the & in column 2.

b. Following this are decision cards, on which decisions are listed in any order, in the form D101=0.5, D237=22.15, D222=780, etc. Decisions may be listed in columns 2 through 80 of as many cards as are necessary (end each card at a comma). Column 1 of each card must be blank.

c. Following the last card containing decisions is a card punched &END, with the & in column 2.

3. Cards listing the arrays to be printed immediately follow the &END card. Each card lists up to eight arrays. The list of arrays starts in column 1. Each array name is followed by a comma, and no blanks are normally inserted. However, blanks are allowable, so long as the array name and its comma are in a five-column group whose last column is divisible by 5.

Example: C830,B110,B205,C402, C401,C400,C914,C913

If the print routine that prints a sample of districts is being used, an ordering array may also be listed. It must be in columns 41-44 of the card. If an ordering array is listed, the sample of districts printed will be printed in descending order of value of the data in that array.

## DATA ARRAYS

The following data arrays can be printed, in any order, at the request of the simulator. Each array contains data on that item for each of the 339 districts. The "B" arrays are input to the simulation, and the "C" arrays are calculated by the simulation, based on the input data and the decisions made by the simulator.

Abbreviations used:

ADM: Average daily membership

ADMW: Weighted average daily membership

RADM: Resident average daily membership

TCV: True cash value (assessed value)

IED: Intermediate education district

CSF: County school fund

BSSF: Basic school support fund

| Array Name | | | Description |
|---|---|---|---|
| Total | Per ADM | Per ADMW | |
| B001 | | | District Number (AABBBC, where AA=county number, BBB=district number, and C=type district. District type: 1=elementary 1-6, 2=elementary 1-8, 3=high school 7-12, 4=high school 9-12, 5=unified 1-12) |
| B005 | | | Kindergarten RADM, 1972-73 |
| B006 | | | 1-8 RADM, 1972-73 |
| B007 | | | 9-12 RADM, 1972-73 |
| B008 | | | Kindergarten RADM, 1973-74 |
| B009 | | | 1-8 RADM, 1973-74 |
| B010 | | | 9-12 RADM, 1973-74 |
| B211 | | | Kindergarten RADM, 1974-75 |
| B212 | | | 1-8 RADM, 1974-75 |
| B213 | | | 9-12 RADM, 1974-75 |
| B221 | | | Kindergarten RADM, 1975-76 |
| B222 | | | 1-8 RADM, 1975-76 |
| B223 | | | 9-12 RADM, 1975-76 |
| B231 | | | Kindergarten RADM, 1976-77 |
| B232 | | | 1-8 RADM, 1976-77 |
| B233 | | | 9-12 RADM, 1976-77 |
| B241 | | | Kindergarten RADM, 1977-78 |
| B242 | | | 1-8 RADM, 1977-78 |
| B243 | | | 9-12 RADM, 1977-78 |
| B251 | | | Kindergarten RADM, 1978-79 |
| B252 | | | 1-8 RADM, 1978-79 |
| B253 | | | 9-12 RADM, 1978-79 |
| C395 | | | Total ADM, 1973-74 |
| C396 | | | Composite cost factor, 1973-74 |
| C397 | | | Total ADMW, 1973-74 (Present definition) |
| C011 | | | Kindergarten ADM, simulated |
| C012 | | | 1-8 ADM, simulated |
| C013 | | | 9-12 ADM, simulated |
| C025 | | | Comp ed students, simulated (1st 5% of ADM) |
| C026 | | | Comp ed students, simulated (2nd 5% of ADM) |
| C028 | | | Comp ed students, simulated (over 10% of ADM) |
| C030 | | | Career ed students, simulated |
| C035 | | | Small school ADM, simulated |
| C400 | | | Total ADM, simulated |
| C401 | | | Composite cost factor, simulated |
| C402 | | | Total ADMW, simulated |
| B047 | C090 | C093 | Total TCV, 1972-73 |
| B052 | C072 | C082 | Total TCV, 1973-74 |
| B053 | C073 | C083 | Residential TCV, 1973-74 |
| B054 | C074 | C084 | Total TCV, 1974-75 |
| B055 | C075 | C085 | Total TCV, 1975-76 |
| B056 | C076 | C086 | Total TCV, 1976-77 |
| B057 | C077 | C087 | Total TCV, 1977-78 |

continued on next page

| Array Name | | | Description |
|---|---|---|---|
| B058 | C078 | C088 | Total TCV, 1978-79 |
| C041 | C042 | C043 | Adjusted TCV, previous year |
| C044 | C045 | C046 | Adjusted TCV, present year |
| C048 | C091 | C094 | Previous year residential TCV |
| C049 | C092 | C095 | Previous year non-residential TCV |
| C050 | C070 | C080 | Present year residential TCV |
| C051 | C071 | C081 | Present year non-residential TCV |
| C406 | | | Adjustment factor for type of district |
| B160 | | | Operating levy rate (Dist + IED + CSF), 1973-74 |
| B060 | | | District operating levy rate, 1973-74 |
| B061 | | | IED equalizing levy rate, 1973-74 |
| B062 | | | IED operating levy rate, 1973-74 |
| B063 | | | County school fund levy rate, 1973-74 |
| B064 | | | Bond and serial levy rate, 1973-74 |
| B065 | | | Total tax rate (including non-school taxes), 1973-74 |
| C910 | | | Total operating tax rate simulated (includes local operating rate, IED operating rate, CSF levy rate, IED equalizing rate if levied, and regional equalizing levy rate if levied) |
| C911 | | | Total operating tax rate, difference from 1973-74 |
| B017 | | | Regional equalization district number (1=eastern, 2=western, 3=metropolitan) |
| C403 | C404 | C405 | Total federal receipts, 1973-74 |
| B100 | C408 | C409 | Title I receipts, 1973-74 |
| B101 | C414 | C415 | Impact aid receipts, 1973-74 |
| B102 | C418 | C419 | School lunch receipts, 1973-74 |
| B103 | C424 | C425 | Other federal receipts, 1973-74 |
| C420 | C428 | C429 | Total state receipts, 1973-74 |
| B110 | C434 | C435 | BSSF receipts (including transportation), 1973-74 |
| B161 | C608 | C609 | State transportation reimbursement, 1973-74 |
| B016 | C436 | C437 | Common School Fund receipts, 1973-74 |
| B111 | C438 | C439 | Other state receipts, 1973-74 |
| C460 | C464 | C465 | Total intermediate receipts, 1973-74 |
| B120 | C468 | C469 | County school fund receipts, 1973-74 |
| B121 | C474 | C475 | IED equalizing receipts, 1973-74 |
| B122 | C478 | C479 | Federal forest fees, 1973-74 |
| B123 | C484 | C485 | Miscellaneous intermediate receipts, 1973-74 |
| C480 | C488 | C489 | Total local receipts, 1973-74 |
| B130 | C494 | C495 | Local levy receipts (includes operating and bond levy), 1973-74 |
| B131 | C498 | C499 | Local other receipts, 1973-74 |
| B140 | C518 | C519 | Receipts from other districts, 1973-74 |
| C540 | C544 | C545 | Total nonfederal receipts, 1973-74 |
| C550 | C554 | C555 | Total receipts, 1973-74 |
| B150 | C520 | C521 | Transportation reimbursable costs, 1973-74 |
| B151 | | | Number transported daily, 1973-74 |

| Array Name | | |
|---|---|---|
| B152 | | |
| B170 | C624 | C625 |
| B171 | C628 | C629 |
| B180 | | |
| C700 | C701 | C702 |
| C710 | C711 | C712 |
| C720 | C721 | C722 |
| C726 | C727 | C728 |
| C906 | C907 | C908 |
| C730 | C731 | C732 |
| C740 | C741 | C742 |
| C750 | C751 | C752 |
| C760 | C761 | C762 |
| C770 | C771 | C772 |
| C780 | C781 | C782 |
| C783 | C784 | C785 |
| C790 | C791 | C792 |
| C793 | C794 | C795 |
| C800 | C801 | C802 |
| C803 | C804 | C805 |
| C810 | C811 | C812 |
| C813 | C814 | C815 |
| C820 | C821 | C822 |
| C823 | C824 | C825 |
| C830 | C831 | C832 |
| C833 | C834 | C835 |
| C840 | C841 | C842 |
| C843 | C844 | C845 |
| C900 | C901 | C902 |
| C903 | C904 | C905 |
| C906 | C907 | C908 |
| C912 | C913 | C914 |
| C915 | C916 | C917 |
| C920 | C921 | C922 |

| Description |
|---|
| Daily route miles, 1973-74 |
| Debt service interest, 1973-74 |
| Debt service principal payments, 1973-74 |
| Cost of living index |
| Flat grant receipts, simulated |
| Foundation equalization receipts, simulated |
| Guaranteed yield receipts, simulated |
| Cost of living adjustment receipts, simulated |
| Saving to state from phase-in, simulated |
| Total state general purpose receipts, simulated |
| Instructional categorical receipts, simulated |
| Capital outlay and debt service rcpts from state, simulated |
| Transportation receipts, simulated |
| Total state special purpose receipts, simulated |
| Total state receipts, simulated |
| Total state receipts, increase from 73-74 actual |
| Intermed equalizing receipts, simulated |
| Intermed equalizing rcpts, increase from 73-74 actual |
| Total intermediate receipts, simulated |
| Total intermediate rcpts, increase from 73-74 actual |
| Local levy receipts (including bond levy), simulated |
| Local levy receipts, increase from 73-74 actual |
| Total local receipts, simulated |
| Total local receipts, increase from 73-74 actual |
| Total nonfederal receipts, simulated |
| Total nonfederal receipts, increase from 73-74 actual |
| Total receipts, simulated |
| Total receipts, increase from 73-74 actual |
| Cost of recapture negation, simulated |
| Cost of save harmless provision, simulated |
| Saving to state from phase-in, simulated |
| Dollars raised by property tax, simulated |
| Dollars raised by property tax, increase from 73-74 actual |
| Dollars received from property tax, simulated |

| Array Name | | | Description |
|---|---|---|---|
| C923 | C924 | C925 | Dollars received from property tax, increase from 73-74 actual |
| C926 | C927 | C928 | Net property tax dollars (received minus raised) |

## DECISIONS

The following decisions are to be made by the simulator. They are to be punched in any order in columns 2-80 of punch cards (column 1 must remain blank) in the following form: D100=3,D101=0.5,D212=640.25, etc. Decisions not made by the simulator will automatically default to the value shown in the "Default Value" column.

| Decision | Number | Default Value |
|---|---|---|
| Future year to be simulated (1973-74=0, 1974-75=1, 1975-76=2, 1976-77=3, 1977-78=4, 1978-79=5) | D100 | 0 |
| Cost factors (or ADM weightings) for programs: | | |
| Kindergarten | D101 | 1.0 |
| Grades 1-8 | D102 | 1.0 |
| Grades 9-12 | D103 | 1.0 |
| Compensatory ed (1st 5% of ADM) | D116 | 0.0 |
| Compensatory ed (2nd 5% of ADM) | D117 | 0.0 |
| Compensatory ed (over 10% of ADM) | D118 | 0.0 |
| Career education | D119 | 0.0 |
| Necessary small schools | D120 | 0.0 |

(Note: The entire resident ADM of a district is represented by the sum of its kindergarten, 1-8, and 9-12 ADM. The other categories represent double counting. In addition, they are head counts, not ADM. This should be taken into account in setting cost factors.)

**General state aid programs.** Any reasonable combination of the following programs may be selected, but foundation and guaranteed yield cannot be used simultaneously.

| Decision | Number | Default Value |
|---|---|---|
| Flat grant program | | |
| Do you wish to use this program? (Yes=1, No=2) | D200 | 0 |
| Amount of flat grant ($/ADMW) | D202 | 0.00 |
| Foundation program | | |
| Do you wish to use this program? (Yes=1, No=0) | D210 | 0 |
| Amount of foundation guarantee | D212 | 0.00 |
| Required local tax effort ($/1000) | D215 | 0.00 |
| Local guaranteed yield program | | |
| Do you wish to use this program? (Yes=1, No=0) | D220 | 0 |
| Required minimum local tax effort ($/$1000) | D222 | 0.00 |

| Decision | Number | Default Value |
|---|---|---|
| Guaranteed amount at required minimum effort ($/ADMW) | D225 | 0.00 |
| Lower line guaranteed amount ($/mill/ADMW) | D228 | 0.00 |
| Upper line guaranteed amount ($/mill/ADMW) | D231 | 0.00 |
| Kink point tax rate ($/1000) | D234 | RLE |
| Maximum guaranteed tax rate ($/$1000) | D237 | 0.00 |
| District allowed to tax above maximum guaranteed rate (Yes=1, No=0) | D238 | 0 |
| Optional district tax rate | | |
| Method of determination (specified by simulator=0, present rate=1, halfway between present rate and that required to maintain receipts as defined in decision D244=2, rate required to maintain receipts as defined in decision D244=3) | D240 | 0 |
| Elementary rate specified by simulator | D241 | 0.00 |
| High school rate specified by simulator | D242 | 0.00 |
| Unified rate specified by simulator | D243 | 0.00 |
| Percent of 1973-74 unrestricted receipts to be maintained | D244 | 100.00 |
| Maximum allowable tax rate ($/1000) | D245 | 0.00 |
| Regional equalization | | |
| Amount to be raised by regional equalization districts ($/ADMW) | D247 | 0.00 |
| IED equalization | | |
| Amount to be raised ($/ADMW) | D250 | 0.00 |
| Tax rate (specified=0, 73-74 rate=1) | D251 | 0 |
| Specified tax rate | D252 | 0.00 |
| Categorical grants for instructional programs | | |
| Grant for kindergarten ($/student) | D301 | 0.00 |
| Grant for comp ed (1st 5% of ADM) ($/student) | D316 | 0.00 |
| Grant for comp ed (2nd 5% of ADM) ($/student) | D317 | 0.00 |
| Grant for comp ed (over 10% of ADM) ($/student) | D318 | 0.00 |
| Grant for career education ($/student) | D319 | 0.00 |
| Grant for necessary small schools ($/student) | D320 | 0.00 |
| Transportation | | |
| Present allocation (Yes=1, No=0) | D300 | 0 |
| Specified percent of reimbursable costs | D331 | 0.00 |
| Debt service | | |
| Specified percent of present debt service | D338 | 0.00 |
| Special provisions | | |
| Is adjustment factor for district type based on present method or on K-12 simulated ADMW? (Present=0, K-12 ADMW=1) | | |
| TCV for what year is used as basis for required local effort for equalizing grants? (Previous year=0, present year=1) | | |
| Is non-residential TCV subject to local taxes? (Yes=1, No=0) | | |
| Is non-residential TCV subject to IED equalizing taxes? (Yes=1, No=0) | | |
| Is state allowed recapture on foundation or guaranteed yield plans? (Yes=1, No=0) | | |
| Are districts held harmless (total state aid not less than actual 1973-74 state aid)? (Yes=1, No=0) | | |
| Is a cost of living adjustment used? (Yes=1, No=0) | | |
| Maximum percent increase allowed in total receipts over 1973-74 | | |
| Use Cherry factor for Portland only (reduce TCV by ratio of 1973-74 school tax rate to total tax rate) (Yes=1, No=0) | | |
| **Printing Directions** | | |
| Number of districts to be printed (print a representative sample=0, print all districts=1) | | |
| Order of printing, if all districts are to be printed (print in numerical order by county=1, print in numerical order by type of district=2, print by type and size of district, largest districts first=3) | | |

## ARRAYS TO BE PRINTED

Any of the arrays, both basic and calculated, may be printed, in any order. Up to eight arrays may be printed on a page. A separate card is to be prepared for each set of arrays to be printed. The arrays (up to eight to a card) are to be listed starting in column 1. Each array name is followed by a comma, and no blanks are allowed.

Example: B011,B221,C625,C488, B160,C464,C414,C725,

The names of the districts will automatically be printed at the left of the page. If a "total" type array is specified, county and state totals will be printed. If a "Per ADM" or "Per ADMW" type array is specified, county and state means will be printed.

For the routine that prints a sample

| Number | Default Value |
|---|---|
| D340 | 0 |
| D345 | 0 |
| D350 | 1 |
| D351 | 1 |
| D360 | 0 |
| D361 | 0 |
| D362 | 0 |
| D363 | 1000.00 |
| D364 | 0 |
| D400 | 0 |
| D401 | 1 |

of districts only, it is possible to order the printing of the districts according to the values for those districts in any array. This is done by placing the name of the ordering array in the ninth position on the print card. For example, if the arrays shown in the example above had been followed by C046, the districts would have been printed in the order of their adjusted TCV per ADMW for the year simulated. If there is no array specified in the ninth position, the districts will be printed in numerical order.

## NOTES ON THE DECISIONS

In general the decisions apply to unified districts. Appropriate adjustments for the various kinds of non-unified districts are automatically made by the program.

**D100.** If you choose a year other than 1973-74, the kindergarten, 1-8, and 9-12 ADM for the year chosen become the simulated ADM. Simulated head count in special programs is assigned to districts as the same proportion of their simulated ADM as it was in 1973-74. Similarly, projected TCV for the year chosen is used, and residential and non-residential TCV is assigned in the same porportion as it existed in 1973-74. No other basic data are changed.

**D101 to D120.** The weights assigned here are used to compute the ADMW from ADM. State aid is then calculated on the basis of ADMW, rather than ADM. Under a guaranteed yield program, the high-spending districts would thus receive more per ADMW in state aid than would low-spending districts of equal fiscal ability. If, instead, you wish to allow the same amount per student to each district for a special category, you should use decisions D301 to D320.

**D210 to D215.** This is a conventional foundation program, in which the state allocation is the amount of the foundation times the ADMW, less amounts received from the required local effort, from flat grants, federal forest funds, and the Common School Fund. If there is regional or IED equalization, the required local effort rate is the rate specified in decision D215 less the regional or IED equalization rate, and the amount of state aid is reduced by the amount of regional or IED equalization money received.

**D220 to D237.** The local guaranteed yield program is identical in form to what has been called by others a power equalizing program. There is a guaranteed amount of money per ADMW that is associated with any tax rate, and every district levying the same tax rate will, in combined local and state funds, have the same amount of money per ADMW to spend (subject to recapture provisions and expenditure increase provisions—see decisions D360 and D363). However, the guaranteed yield formula need not be linear. Specifically, it can consist of two lines with different slopes (where the slope is the guaranteed yield per ADMW for each dollar per $1000 increase in the tax rate.) The rate where the two lines meet is the kink point. A minimum and a maximum tax rate may also be specified. Because this is so, it is unnecessary to combine the guaranteed yield program with a foundation program; specifying a minimum required tax rate and a guaranteed yield associated with it is the equivalent of a foundation program. Using a foundation program and a guaranteed yield program simultaneously will result in only the foundation program being executed.

**D240 to D245.** The optional tax rate is the amount of local operating tax levied above the required local effort. If it is to be specified by the simulator, decisions D241 to D243 must be supplied. If it is specified as the present rate, the rate used is the 1973-74 local operating rate, IED rate, and CSF rate. If the optional rate is to be the rate necessary to maintain unrestricted receipts, a rate is calculated that would support whatever percentage of 1973-74 receipts is specified in decision D244. If the rate is to "calculated", the rate is set halfway between the present rate and the rate necessary to maintain receipts as specified above. A maximum allowable tax rate may be specified in decision D245.

**D247.** This decision allows the simulator to specify an amount to be raised by a regional equalization tax. Every district is in one of three regions: east of the Cascades, west of the Cascades, or Portland metropolitan. The amount to be received is raised by a uniform regionwide tax, and distributed on a per ADMW basis to the districts in the region. This is a way of achieving recapture on other than a statewide basis.

**D250 to D252.** These decisions allow equalization on an IED basis, rather than on the basis of a region.

**D301 to D320.** A categorical grant of a set number of dollars per student for students in special programs may be specified with these decisions. This would normally be in place of (but could be in addition to) weighting the students through decision D101 to D120.

**D330 to D331.** One may either specify the present (1973-74) transportation allocation, or a specified percentage of reimbursable costs for the current year. If a year other than 1973-74 is being simulated, the allocation is multiplied by the ratio of simulated ADM to 1973-74 ADM.

**D338.** This provides state aid at a specified percentage of current debt service principal and interest payments. The payments used are those for 1973-74 regardless of the year being simulated because we have no way of estimating how these may change.

**D340.** One of the most difficult problems in Oregon School finance is that of adjusting programs to fit school districts with five different grade ranges. In the simulation, a factor is calculated for each district, and this factor is used to adjust tax rates for required local effort in the various equalization programs, and line slopes in the guaranteed yield program. The factor for a unified district is always 1.00. For other districts, the factor may be specified to be the present factor (which is based on an assumption of no kindergarten and a weighting of 1.3 for grades 9-12), or a new factor based on the weights specified in decision D101-D103.

**D345.** Currently, the amount raised by the required tax rate for equalization purposes in the current year is determined by using the true cash value for the previous year. The simulator may prefer to specify use of current year TCV, and may so specify here.

**D350 to D351.** If desired, nonresidential TCV may be made exempt from local and/or IED taxes. The assumption is that a statewide tax on nonresidential property would be levied at a uniform rate to raise the money not raised locally by taxing such property.

**D360.** If the state is allowed recapture on equalizing programs, any excess amount raised by school districts with high fiscal ability over what is guaranteed by the equalization program would be turned over to the state to be used in helping the districts with low fiscal ability. For such a district of high fiscal ability, the amount received in equalization would be shown as a negative amount. In the default option, the state simply makes no payment to the wealthy district, and that district need not remit to the state. This nonremittance constitutes a cost to the state, and the cost of this recapture negation is shown as one of the output arrays that may be printed.

**D361.** If districts are held harmless, total state receipts, both general and categorical, are compared with 1973-74 receipts. If 1973-74 receipts are greater, the simulated receipts are set equal to 1973-74 receipts, and the additional cost of doing this is calculated and stored in an output array.

**D362.** If a cost-of-living adjustment is specified, the total of state, intermediate, and local receipts is multiplied by the cost of living index. The difference between this product and present state, intermediate, and local receipts is the cost of living adjustment. It constitutes an adjustment, upward or downward, in the amount of state aid to the district.

**D363.** A limit may be put on the maximum increase in total unrestricted receipts per ADMW over 1973-74. This is typically used as a phase-in device. The amount saved by the state as a result of this provision is stored in an array which may be printed.

**D364.** If use of the Cherry factor is specified, the effective TCV per ADMW used in equalization calculations is multiplied by the ratio:

$$\frac{1.5 \times \text{school tax rate}}{\text{total tax rate}}$$

In the current version of the program, this provision can only be applied to Portland.

## TECHNICAL DETAILS

The simulation is written in FORTRAN IV, and is designed for use on an IBM 360 or 370. It requires about 300K of core for initial data input, 150 K for the calculations, and about 100K for printing. It uses one disk or a tape for permanent data storage, and five scratch disks. Output is to a high-speed printer. The program and input data are also maintained on punch cards, so that changes may be made if desired.

Input data are not on a district-by-district basis, but on a variable-by-variable basis. The data are read in free-form format, using the NAMELIST convention in FORTRAN. The first card, immediately preceding the data, has &VARS punched beginning in column 2. For a particular variable, the name of the variable is first given, followed by an = sign, and then by 339 data entries, one for each district. Each data entry is immediately followed by a comma, and then by as many spaces (or none) as desired. Use of this method of data entry has several advantages:

1. Number of cards needed for data is minimized, since fixed fields keyed to the needs of the largest district are not necessary.
2. It is easy to make changes in a single variable, since all the data for that variable are in one place. It will more often be necessary to change all of the data for one variable than to change all of the data for one district.
3. It is easy to add a value if one has accidentally been omitted, because the card can be duplicated to the proper point, the new value added, and the rest of the card skipped. The next card is prepared by skipping to the point where the next value begins, and then duplicating the rest of the original card.
4. Where there are a large number of duplicate entries, space and keypunching time can be saved by using a multiplicative factor. For example, in the array that gives kindergarten ADM, there may be ten districts in a row that have no kindergarten. The values for these ten districts may be simply given in the array 10*0.

Of course, there are trade-offs, and the NAMELIST method has its disadvantages also:

1. It is not possible to number the cards for identification, which makes it very desirable not to drop the cards.
2. To find manually the value for a particular district one must carefully count the data items, for they will not be in a particular spot on the card.

The last item in each data array is its title, consisting of six "words" of four bytes each. When an array is printed, the title is printed at the top, with the first three "words" centered over the column, and the second three "words" immediately underneath the first three.

**Printing the Results**

As mentioned earlier, any of the input and output arrays may be printed in any order, with up to eight columns of them to a page. The names of the districts will automatically be printed down the left side of the page. There are four options for printing the data:

1. Print only a sample of districts. The districts fit neatly on one page. This is very useful for trying out various alternatives without generating reams of printout. The sample districts have already been specified in the print program, but they can easily be changed. The totals given at the bottom of each column are the totals (or means) for the entire state, not just for the districts printed. In this option, the districts may be ordered by any variable.

2. Print all districts by county, and numerically within the county. With this option, county totals or means are printed also, and a summary by administrative district is included at the end.

3. Print all districts by type of district, and within type numerically by county and district number.

4. Print all districts by type, and within type by size of district, with the largest district first.

For any of the print programs, a summary is printed at the end giving, for each variable printed, the highest value, values at the 90th, 80th, 50th, 20th, and 10th percentiles, and the lowest value, with the name of the district in which each occurs.

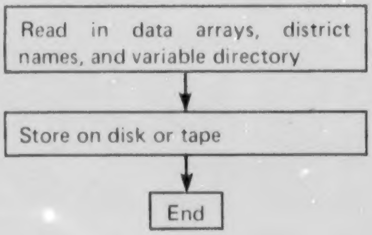
Only the "total" arrays (see the listing of Calculated Data Arrays) are calculated by the main program. The "per ADM" and "per ADMW" arrays are calculated by the print program only if printing of them is requested. When this is done, the value at the bottom of the column will be the state weighted mean, rather than the state total for that variable.

# SIMULATION FLOW CHART

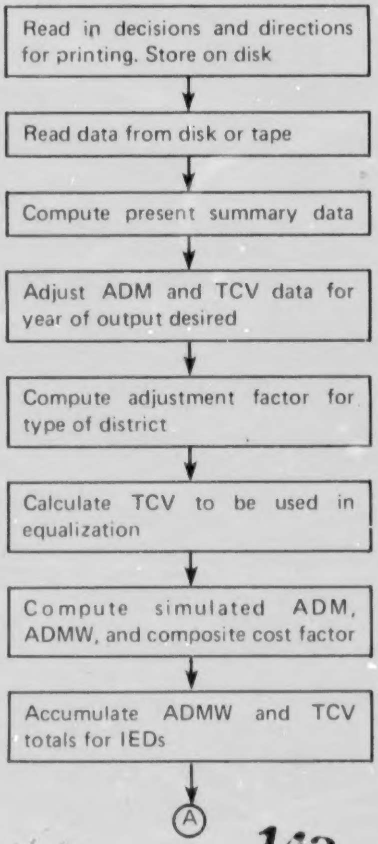
**The Flow Chart of the Simulation**

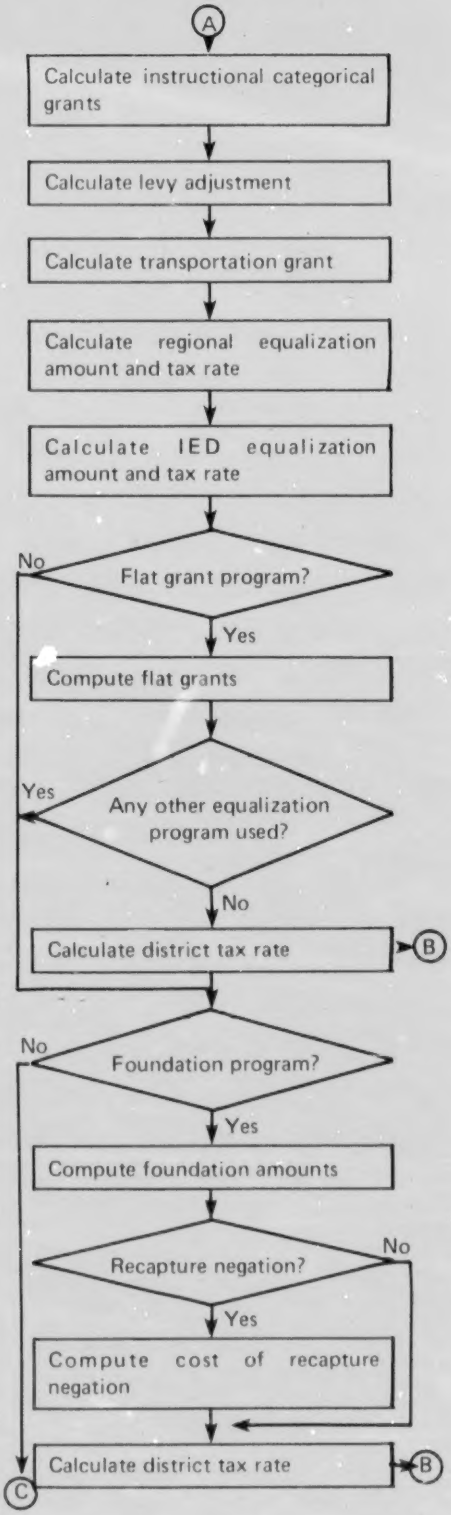
The following general flow chart should make it easy for the programmer to understand the detailed program listing so that he or she can make any changes desired.

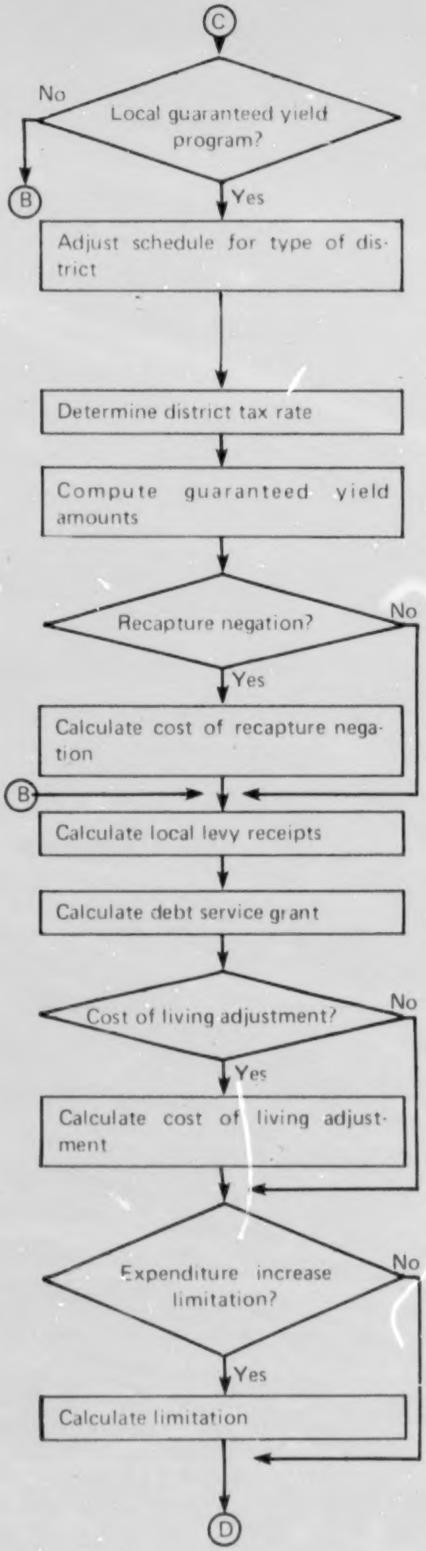
## Load Program

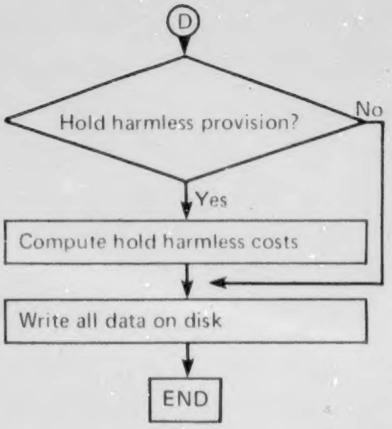

Read in data arrays, district names, and variable directory
Store on disk or tape
End

## Main Program


Read in decisions and directions for printing. Store on disk
Read data from disk or tape
Compute present summary data
Adjust ADM and TCV data for year of output desired
Compute adjustment factor for type of district
Calculate TCV to be used in equalization
Compute simulated ADM, ADMW, and composite cost factor
Accumulate ADMW and TCV totals for IEDs
A

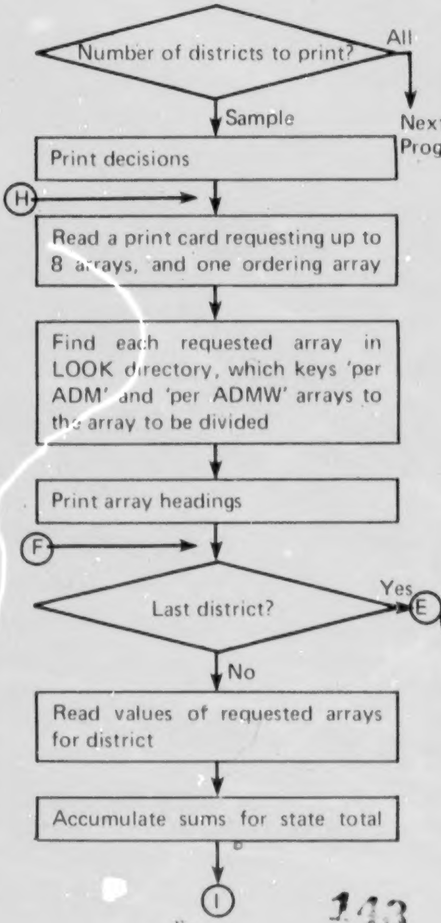

A
Calculate instructional categorical grants
Calculate levy adjustment
Calculate transportation grant
Calculate regional equalization amount and tax rate
Calculate IED equalization amount and tax rate
Flat grant program?
No
Yes
Compute flat grants
Any other equalization program used?
Yes
No
Calculate district tax rate
B
Foundation program?
No
Yes
Compute foundation amounts
Recapture negation?
No
Yes
Compute cost of recapture negation
Calculate district tax rate
B
C

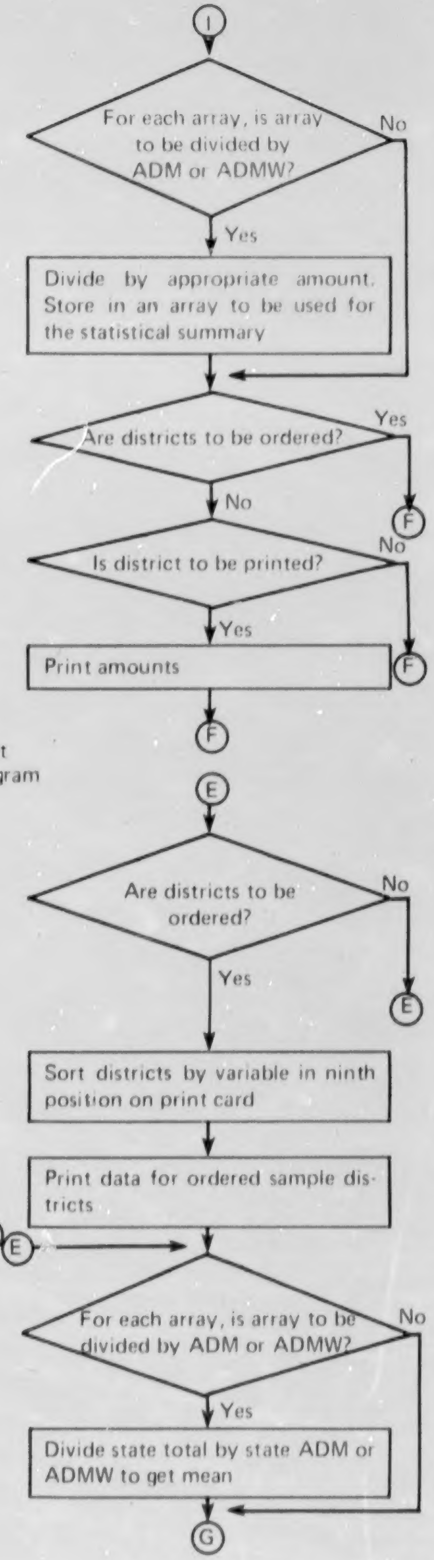

C
Local guaranteed yield program?
No
B
Yes
Adjust schedule for type of district
Determine district tax rate
Compute guaranteed yield amounts
Recapture negation?
No
Yes
Calculate cost of recapture negation
B
Calculate local levy receipts
Calculate debt service grant
Cost of living adjustment?
No
Yes
Calculate cost of living adjustment
Expenditure increase limitation?
No
Yes
Calculate limitation
D

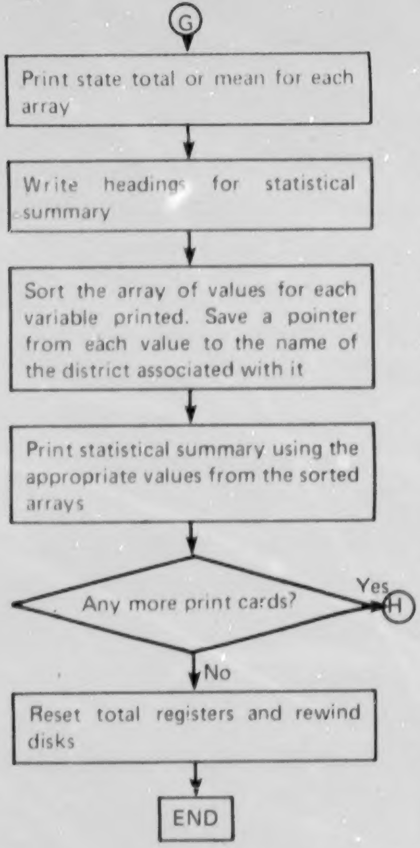

D
Hold harmless provision?
No
Yes
Compute hold harmless costs
Write all data on disk
END

## Print Program

(Note: the print routines are separate programs, using a smaller amount of core. Any one of the four print programs may be used.)


Number of districts to print?
All
Next Program
Sample
Print decisions
H
Read a print card requesting up to 8 arrays, and one ordering array
Find each requested array in LOOK directory, which keys 'per ADM' and 'per ADMW' arrays to the array to be divided
Print array headings
F
Last district?
Yes
E
No
Read values of requested arrays for district
Accumulate sums for state total
I


I
For each array, is array to be divided by ADM or ADMW?
No
Yes
Divide by appropriate amount. Store in an array to be used for the statistical summary
Are districts to be ordered?
Yes
F
No
Is district to be printed?
No
F
Yes
Print amounts
F
E
Are districts to be ordered?
No
E
Yes
Sort districts by variable in ninth position on print card
Print data for ordered sample districts
E
For each array, is array to be divided by ADM or ADMW?
No
Yes
Divide state total by state ADM or ADMW to get mean
G


G
Print state total or mean for each array
Write headings for statistical summary
Sort the array of values for each variable printed. Save a pointer from each value to the name of the district associated with it
Print statistical summary using the appropriate values from the sorted arrays
Any more print cards?
Yes
H
No
Reset total registers and rewind disks
END

The other three print programs have a program logic similar to that already charted.

## Program Description

1. The variable directory is read from disk.

2. The decisions and the print directions are read from the card input and are stored on disk. The decisions are also stored on disk in the format in which they will later be printed out.

3. The data are all read from disk. For each district, there is read a district name, 61 items of input data, and 64 place-holders for data which are to be calculated by the program.

4. Various adjustments are made to the raw data. When the simulation is updated by entering data for a future year, the programmer should carefully check to see that these adjustments are consistent with the data entered.

5. Summary data for 1973-74 are calculated, such as the total local receipts, which is the sum of local levy receipts, local other receipts, and receipts from other districts. (Note that this main program only calculates total amounts, not amount per ADM or per ADMW. These latter calculations are done in the print program if they are requested to be printed out.)

6. The appropriate ADM and TCV data are selected from the input data for the year that is to be simulated. The number of students with special needs (such as those eligible for compensatory education) is estimated as the number in 1973-74 times the ratio of ADM in the year simulated to ADM in 1973-74. Similarly, the ratio of TCV in the year being simulated to TCV in 1973-74 is calculated and used in subsequent calculations.

7. An adjustment factor is calculated (C406) to use in adjusting state aid to nonunified districts. This is either calculated as the present ratio, or as a ratio that depends upon the weightings for kindergarten, 1-8, and 9-12 being used in the simulation. The choice of which to use is a decision (D340).

8. The TCV to be used in the computation of state aid is calculated, based on decisions about the year to be simulated. Both residential and nonresidential TCV are calculated, based on the same ratios of each to total TCV as obtained in 1973-74.

9. The simulated ADM and ADMW are calculated, based on the data selected for the year to be simulated and the decisions on the weights to be given the various categories of students. The ADMW is calculated from present year data (thus automatically allowing for 100% of ADMW increase), and to this is added 75% of the difference between this year's and last year's ADMW (allowing for ADMW decrease). Note that this is different from the present state method of calculation. The final figure for ADMW is used for all state aid calculations.

10. ADMW and TCV totals for IED's are calculated, for use if there is to be IED equalizing.

11. The Cherry factor is calculated as the ratio of the 1973-74 total school tax rate to the 1973-74 total tax rate for all purposes, with the ratio multiplied by 1.5.

12. Instructional program categorical grants are calculated as the number of students in a particular category times the dollar amount of the grant to each. In addition, one may apply a percentage of the present allocation. This is calculated as the selected percentage times "other" state receipts (non-BSSF), excluding the Common School Fund receipts.

13. An adjustment factor is calculated to allow for the fact that districts experience defaults on present year taxes, but receive some back taxes. The factor is the dollar difference between the amount budgeted to be received from local levy and back taxes in 1973-74 and the amount that would have been received had the operating and capital levy rates been applied against the district TCV. This factor is then adjusted, when a year other than 1973-74 is being simulated, by the ratio of district TCV in the year being simulated to district TCV in 1973-74.

14. The transportation grant is calculated. If the present allocation is chosen, the amount of the transportation grant is simply the present amount multiplied by the ratio of total ADM in the simulated year to 1973-74 ADM. Instead, a percentage of 1973-74 reimbursable expenditures may be selected, and for a year other than 1973-74 this is multiplied by the same ADM ratio.

15. The amount to be raised through regional equalization and the regional tax rate are calculated. The amount received by each district is the amount per ADMW specified in decision D247 times the district's ADMW. The regional tax rate is D247 times the rate necessary to raise $1 per ADMW in the region.

16. If IED equalizing is to be used, it is calculated. If an amount per ADMW is specified in D250, any values in D251 and D252 are ignored. The amount received by a district is D250 times the district's ADMW. The district's IED equalizing tax rate is that necessary to

raise the D250 amount per ADMW in the IED. For nonunified districts this rate is adjusted on a 2/3 – 1/3 basis as at present.

If D250 is zero, the amount received by the district is based on D251. If D251=1, the amount received is that which would be raised if the 1973-74 IED equalizing tax rate were used. If D251=0, the tax rate (for a unified district) to be used is specified in D252, and the amount received is calculated accordingly.

## THE FLAT GRANT PROGRAM

17. The flat grant is calculated simply as the flat grant amount times the district ADMW. There are no offsets.

18. If neither a foundation plan nor a guaranteed yield plan is also being used, the district tax rate is set here. It may be any of four alternatives:

a. A specified rate (different rates can be specified for elementary, union high, and unified districts).

b. The district's 1973-74 rate.

c. The rate necessary to maintain unrestricted receipts. Allowance is made in this calculation for the difference between estimated defaults on present year taxes and receipt of back taxes. In this calculation, the receipts to be maintained are assumed to be 1973-74 receipts. In simulating future years this is unrealistic, and any percentage (such as 150%) of 1973-74 receipts may be specified to be maintained.

d. A rate which is halfway between the 1973-74 rate and the rate necessary to maintain unrestricted receipts. (Unrestricted receipts are federal impact aid, state flat grant and equalizing aid, aid for compensatory education, all intermediate, and all local receipts.)

## THE FOUNDATION PROGRAM

19. The required local effort tax rate is calculated for nonunified districts as the rate specified for unified districts times the district type adjustment factor (C406). If the Cherry plan for Portland is being simulated, the TCV to be used in equalization is multiplied by the Cherry factor for Portland only.

20. The equalization aid is calculated as ADMW times the foundation guarantee, less the adjusted TCV times the required local effort rate, less any flat grants, regional equalization receipts, IED equalization receipts, federal forest funds, federal impact aid, and Common School Fund receipts. The specified required local effort rate is reduced by the regional or IED equalization rate.

21. The equalization aid thus calculated can be positive or negative. If there is not to be recapture and the amount is negative, it is set to zero, and the array "Cost of Recapture Negation" is set equal to the amount thus negated.

22. The optional tax rate is determined in the same way as it was in the flat grant program, with the same four options.

It is assumed that a foundation program and a guaranteed yield program will not be simulated simultaneously. But a flat grant program can be simulated in connection with either.

## LOCAL GUARANTEED YIELD PROGRAM

23. The local guaranteed yield schedule is adjusted for nonunified districts by adjusting the tax rate necessary to be guaranteed each level of expenditure by the appropriate district type ratio. If the Cherry plan is being simulated, the Cherry factor is used in the same way as an additional adjustment for Portland.

24. The tax rate is set. (Note that this must be done before the calculation of equalization here because the tax rate determines the amount of the guarantee.) The same options apply as in the flat grant and foundation plans, but the calculation is complicated by the interaction of the tax rate set and the amount received in equalization.

25. If the rate set above is higher than the maximum for equalization in the guaranteed yield schedule, it is treated as being at the maximum for equalization purposes. If the option is selected that allows a district to tax above this rate, the rate is then set at whatever is calculated for purposes of determining the amount of the local levy. If there is no recapture, and the calculated tax rate is below the minimum of the guaranteed yield schedule, it is allowed to remain as the calculated rate for purposes of the local levy.

26. The state aid is calculated as the guarantee for the local tax rate plus the regional or IED equalizing tax rate, less the amount raised by the local rate applied against the district TCV, less any flat grants, less regional or IED equalizing receipts, less the offsets of federal impact aid, federal forest funds, and Common School Fund receipts.

27. If there is no recapture and the amount of equalization calculated is negative, it is set to zero, and the "Cost of Recapture Negation" array set equal to the amount negated.

## ADDITIONAL CALCULATIONS

28. Local levy receipts are calculated as the product of simulated tax rate times the simulated TCV plus 1973-74 bond rate times 1973-74 TCV, less the levy adjustment.

29. Debt service aid is calculated as the selected percentage times the sum of 1973-74 district principal and interest payments.

30. If the cost of living adjustment is selected, the sum of simulated state, intermediate, and local receipts (excluding transportation aid) is multiplied by the cost of living factor, and the result subtracted from that sum. This difference, which may be positive or negative, is an additional state aid item. Because it occurs at this point, this state aid does not affect the tax rate which had already been calculated.

31. For the expenditure increase limitation, a base is calculated as the sum of federal impact aid, BSSF receipts (excluding transportation), Common School Fund receipts, and total intermediate and local receipts, all for 1973-74. This is divided by 1973-74 ADMW and multipled by the expenditure increase percentage selected. The result is an expenditure per ADMW that may not be exceeded. The simulated amounts are then calculated: the sum of federal impact aid, flat grants, equalization aid, cost of living adjustment, compensatory education receipts, regional or IED equalization aid, other intermediate receipts, and all local receipts. If this sum exceeds the amount calculated in the preceding sentence, the amount of state aid is reduced accordingly. This reduction in state aid is

shown in array C908, "Saving from Phase-In." (Note that if recapture is not allowed, the state may not be able to reduce its aid by the full amount required here, since that could make state aid negative. When this occurs, the amount it is unable to save as a result of this shows as a negative saving in C908.)

32. Summary statistics are now calculated.

33. If the save harmless option is invoked, districts that receive less in simulated state aid than in 1973-74 receive the same amount of state aid as in 1973-74.

34. Finally, all of the data and the array labels are stored on disk for use in the print programs.

## Program Additions

Adding arrays (either "B" arrays or "C" arrays) involves the following steps:

1. Add the name of the array, dimensioned by (345) to the DIMENSION statement of the LOAD program.

2. Add it to the DOUBLE PRECISION statement of the LOAD program if it is to contain large numbers.

3. Add it to the NAMELIST statement of the LOAD program.

4. Add it at the end of the WRITE (1,100) statement of the LOAD program and change the FORMAT statement 100 accordingly.

5. Add it at the end of the WRITE (1,200) statement of the LOAD program and change the FORMAT statement 200 accordingly.

6. Change LRECL and BLKSIZE at the end of the LOAD program to an appropriate amount.

7. Add it to the data bank. Suppose that the name of the variable to be added is B003. The &VARS data bank should contain a set of cards that reads B003 = (a list of 339 data items, separated by commas), (the name of the array, written in six four-byte units surrounded by apostrophes and set off by commas). If the new array is a C array the entry in the data bank is similar, except that the data will simply be 339•0.0. Note that throughout the data, anything punched in column 1 of a card will be ignored.

8. Add it to the DIMENSION statement of the MAIN program, dimensioned to (92).

9. Add it to the DOUBLE PRECISION statement of the MAIN program if applicable.

10. Add it to the READ (1,600) statement of the MAIN program and change the 600 FORMAT statement accordingly.

11. Add the appropriate computation statements in the MAIN program.

12. Add it to the end of the WRITE (4,502) statement of the MAIN program and change the 502 FORMAT statement accordingly.

13. Add it to the end of the READ (1,503) and WRITE (8,503) statement of the MAIN program and change the 503 FORMAT statement accordingly.

14. Add the number to the LOOK directory. It is added at the end of the first one-third of the numbers in this directory. If it is desired to be able to print the variable in "per ADM" and "per ADMW" forms also, define appropriate variable numbers and add them at the end of the second one-third and the third one-third of the LOOK directory. Otherwise, add zeros at these points. NOTE that the three-digit number associated with each variable (regardless of whether preceded by a B or a C) must not duplicate any other number in the LOOK directory.

15. Change the 103 FORMAT statement in the PRINT programs to correspond to the 503 FORMAT statement in the MAIN program, and change the 107 FORMAT statement in the PRINT programs to correspond to the 502 FORMAT statement in the MAIN program.

16. Change the LL dimension statement in the MAIN program and the print programs to correspond to the new size of the LL array.

17. Change the B dimension statement in the PRINT programs. It should be one-third the size of the LL dimension.

18. Change the value of M2 in the PRINT programs. It should be one-third the size of the LL array.

Adding decisions involves the following steps:

1. If the decision acts as a switch (such as D100), define it as INTEGER in the MAIN program and each PRINT program.

2. Add it to the NAMELIST statement of the MAIN program and each PRINT program.

3. Define an appropriate default value for it in the MAIN program.

4. Put an appropriate WRITE (2,···) statement and FORMAT statement for it in the MAIN program.

5. Add appropriate computation statements in the MAIN program.

# 8. SCHOOL FINANCE REFORM IN OREGON: A SUMMARY

# CURRENT REFORM EFFORTS IN OREGON

Until very recently, public education in Oregon has escaped many of the fiscal problems which abound in other states. Although there has been increasing voter resistance to local operating levies, few teachers have been fired, schools have not been shut down and there have been only a few instances of athletic programs being curtailed to rally public support for schools.

Portland, Oregon's only big city, has also been spared many of the traumas experienced by cities in the East and Midwest. Despite declining enrollment, the Portland School District has been able to attract quality teachers, find new programs, avoid increasing class size (as in Detroit and New York), avoid shutting its libraries (as in Cincinnati) and avoid shortening the school day (as in Los Angeles and Cincinnati).[1] Unlike many other big cities, per-capita property values in Portland have not begun to crumble; to the contrary, they continue to rise faster than the state average.[2]

Events in the past few years, however, indicate that the fiscal crisis in public education may have arrived in Oregon. Despite a stable student enrollment, educational costs continue to rise faster than the rate of inflation and faster than personal income. In 1974-75 many school districts had to return to the polls early in the new school year to pass current operating budgets. In Lincoln County, school teachers were given notices of termination prior to the final school budget vote in November. A battle for educational dollars has begun between the public schools and the state's community colleges and universities. Economic recession, property tax relief and growing demands for public services have left too few public dollars to meet the fiscal expectations of educators.

Even if the legislature and local school leaders were able to raise more money for schools, however, Oregon would still be plagued by the inefficiencies and inequities with which educational resources are raised and distributed. Oregon's school finance system fails to meet the educational needs of those school districts that have the most difficulty raising money locally or those that face unusual and costly educational tasks. On the other hand, substantial sums of state money are sent to school districts which already raise more money locally than they can efficiently utilize. And much taxable property in sparsely populated sections of the state does virtually nothing to support public education. The fiscal crisis that is emerging in Oregon is twofold: there are inadequate resources to meet the state's educational responsibilities; and the inequitable and inefficient system of raising and distributing educational revenues favors wealthy areas, rather than areas with the most difficult educational problems.

Numerous attempts have been made to deal with these problems. In 1969 the legislature referred to the voters a measure that would have replaced the school property tax with a state sales tax; the voters rejected it eight to one.[3] Citizen-initiated measures to limit the use of local property taxes for schools were defeated in subsequent years. Finally, school finance reformers turned to the courts to seek a remedy to the inequities of Oregon's school finance system.

On February 17, 1972 a suit was filed in Lane County Circuit Court on behalf of Creswell, Oregon third-grader, Shauna Olsen, and others. The suit argued that students living in property-poor school districts are denied equal educational opportunities because less money can be raised from school property taxes in poor districts than in wealthy districts. Specifically, the plaintiffs charged that the Oregon system of financing public education violates the Oregon Constitution by relying heavily upon local property taxes, since this reliance produces wide disparities in per pupil expenditures from district to district. The plaintiffs argued that such disparities violate: (1) the equal protection provisions of Article I, Section 20; (2) the mandate to provide a "uniform and general" system of common schools as required by Article VII, Section 3; and (3) the requirement contained in Article I, Section 32 and Article IX, Section 1 that the school taxation system be "uniform and general."

In the trial held in September-October 1973, the plaintiffs attempted to prove (1) that significant disparities exist in per pupil expenditures among Oregon school districts as a result of differences in local district wealth, (2) that differences in per pupil expenditures result in substantial disparities in educational opportunities and (3) that less onerous methods of public school finance are available to the legislature.[4]

The two primary arguments as to why the current system of school finance is unconstitutional need further elaboration. One argument was that a system which allocates education on the basis of district wealth violates the "equal protection clause" of the Oregon Constitution (Article I, Section 20). This argument has three major points. First, education is a "fundamental right or interest" like the right to vote or freedom of speech. This is an important distinction, because when a state regulates a fundamental right, the regulation is subject to "strict judicial scrutiny" before it may be upheld by the court. Second, "strict judicial scrutiny" prohibits the state from making distinctions among citizens on the basis of a suspect classification, such as race or wealth. And third, classifications which are suspect are not necessarily prohibited, but the state must show a compelling state interest in distinguishing among citizens on the basis of a suspect characteristic.

It would be difficult to show a compelling state interest in allocating education on the basis of wealth, since there are many ways to accomplish the state's objectives in public education without using wealth as the basis for distributing state aid. Therefore, a finding that education is "a fundamental right or interest" is tantamount to finding the current state system unconstitutional.

In San Antonio v. Rodriquez, the U.S. Supreme Court ruled that the Texas system of financing schools did not violate the Fourteenth Amendment of the U.S. Constitution. However, in its opinion the Court said, "We must decide, first, whether the Texas system of financing public education operates to the disadvantage of some suspect class or impinges upon a fundamental right explicitly or implicitly protected by the Constitution, thereby requiring strict scrutiny. If so, the judgment of the District Court [that the Texas system violated the equal protection clause of the U.S. Constitution] should be affirmed."[5]

The Rodriguez opinion made it clear that if there was a provision in the U.S. Constitution defining education as a fundamental right, the Supreme Court would have found that the Texas system violated the equal protection clause of the U.S. Constitution. The Court said that if education is considered a fundamental constitutional right, the Texas system "and its counterpart in virtually every state will not pass (the) muster" of "strict judicial scrutiny." Article VIII, Section 3 of the Oregon Constitution says that there shall be a "uniform, and general system of Common schools" in Oregon. The article also commands the legislature "to provide by law" for the establishment of such a system.

The plaintiffs in the Creswell case argued that even though the Oregon Constitution does not specifically declare education to be a fundamental right, the statement "the legislature shall provide by law" makes it the legislature's duty to establish a uniform and general system of education, and therefore creates a correlative right to that education. This and repeated statements in the law concerning the importance of education to the state, suggests that the right created by Article VIII, Section 3 is a fundamental right.

The plaintiffs also alleged that the current school finance system violates the "general education" clause of the Oregon Constitution. They argued that since the Constitution requires the legislature to establish a "uniform, and general system of Common schools," the dollar expenditures for any Oregon child's public education cannot legally depend on the taxable wealth of the school district within which the child happens to reside.

Violation of the general education clause has been the grounds for a number of court challenges to state school finance systems. The New Jersey Supreme Court in *Robinson v. Cahill* ruled that the state school finance system was unconstitutional because it failed to provide a "thorough and efficient" system of free public education as required by the New Jersey Constitution. Thirty-four states, including Oregon, have general education clauses which might be used to challenge the constitutionality of state school finance systems.[6]

While the Oregon system of financing public schools was being challenged in the courts, the system also came under review in the legislature. Governor Tom McCall announced in March 1972, shortly after the Creswell case was filed, that he would submit a comprehensive school finance reform proposal to the 1973 legislature. In his bill, Governor McCall recommended full state assumption of the costs of public schools in Oregon. In discussing the reasons for his proposal McCall said that the "money spent for education should be based upon the students' needs, not upon the wealth of the school district in which they live."[7]

The McCall plan was enacted by the legislature in March of 1973 but rejected by the voters in a referendum on May 1, 1973. During the remaining two months of the 1973 legislative session, the legislature passed two interim measures to solve some of the problems dealt with in the McCall plan. These measures were eventually referred to the voters and rejected in the 1974 primary election.

Adjournment of the legislature in July 1973 did not stop legislative efforts to find an equitable way to finance public schools. The leadership of the legislature requested assistance from the Ford Foundation to study Oregon's school finance system and possible alternatives to it. Shortly after the Creswell case was heard in Lane County Circuit Court, the legislature received a grant from the Ford Foundation for a school finance project, and the Committee on Equal Educational Opportunity was established to oversee the project. Throughout 1974 the committee and its research staff worked to find ways of providing equal educational opportunities for the children of Oregon. The committee's proposals were presented to the 1975 legislature and drafted into two bills, Senate Bill 245 and Senate Bill 246.

Prospects for passage of the proposals of the Committee on Equal Educational Opportunities (a copy of those proposals is reprinted in the appendix) were not promising when the legislature convened on January 13, 1975. The economic recession precluded a major increase in state support for schools. Also, the proposals were opposed by several Portland legislators who held key positions in the legislature, because the Portland schools would not benefit as much as many poor school districts from greater equalization. Many legislators felt that only a court decision requiring the legislature to restructure school financing would make it possible to pass a school finance reform bill in the 1975 session.

When the Senate Revenue Committee began hearings on SB245 and SB246 in February 1975, its members were anxious to know what the court would decide in the Creswell case (which the judge had taken under advisement in late August 1974). Since Oregon statutes require a judge to rule on any question before him within three months, the committee considered issuing a subpoena to obtain information from the court on its likely disposition of the Creswell case.

Less than a week after the Senate Revenue Committee discussed the use of a subpoena, the trial court judge ruled that Oregon's current finance system does not violate the Oregon Constitution. In a short ruling the judge issued the following opinion:

IN THE CIRCUIT COURT OF THE STATE OF OREGON FOR LANE COUNTY

SHAUNA OLSEN, a minor, by BRENDA OLSEN, )
her guardian ad litem; VAN McDANIEL, a minor, by )
CLIFFORD E. McDANIEL, his guardian ad litem; )
and SCHOOL DISTRICT NO. 40, Lane County, )
Oregon, )
Plaintiffs, ) Case No. 72 0569
vs. ) CONCLUSIONS OF LAW
STATE OF OREGON, acting by and through LEE )
JOHNSON, Attorney General, and DALE PARNELL, )
Superintendent of Public Instruction, et al, )
Defendants. )

THIS MATTER having come on for trial and the plaintiffs appearing by Charles O. Porter, John E. McDermott, Mark D. Brook and Jeffrey W. Brenner, and the defendants appearing by counsel, Peter S. Herman and Ira Jones, and the court having heard the evidence and the parties having filed their briefs, and the court having considered their briefs, and being fully advised,

The court finds generally in favor of the defendants and enters the following

CONCLUSIONS OF LAW:

I.

Oregon's school finance system does not violate Oregon Constitution, Article VIII §3.

> "The legislature shall provide by law for the establishment of a uniform, and general system of Common schools."

The state minimum standards relating to education set forth a uniform and general system of common schools within the meaning of Article VIII §3. The state financing system provides the means whereby all school districts can meet those standards.

II.

Oregon's public school finance system does not violate Oregon Constitution, Article I, Section 20.

> "No law shall be passed granting to any citizen or class of citizens privileges, or immunities, which, upon the same terms, shall not equally belong to all citizens."

Education is not a "fundamental interest" under the United States Constitution nor has Oregon's Constitution made it a "fundamental interest", therefore the court shall not apply the "strict scrutiny" test in deciding the validity of the Oregon school finance system against the equal protection provisions in Article I, Section 10.

When the more lenient "rational basis" standard of review is applied, the court finds that the present system is rationally related to retaining some measure of local control which is a legitimate legislative goal.

III.

Oregon school finance system does not violate Article I, Section 32 or Article IX, Section 1 of the Oregon Constitution.

> Article I, Section 32. "No tax on duty shall be imposed without the consent of the people or their representatives in the legislative assembly; and all taxation shall be uniform on the same class of subjects within the territorial limitations of the authority levying the tax."
>
> Article IX, Section 1. "The legislative assembly shall, and the people through the initiative may, provide by law uniform rules of assessment and taxation. All taxes shall be levied and collected under general laws operating uniformly throughout the state."

Since the authority levying the tax is the school district under laws which are uniform, all persons within the district are treated uniformly satisfying the constitutional requirements.

IV.

The plaintiff's complaint should be dismissed.

Dated this 25th day of February, 1975.

Edward Leavy
CIRCUIT JUDGE

The terseness of the opinion leaves more questions unanswered than it resolves. Is the court suggesting that a per pupil expenditure of $682 in 1973-74 (when average school district expenditures were $1,058) would have provided an adequate education? Does that mean all expenditures above $682 are so unimportant that the state has no interest in how money is raised to support those expenditures?

The question of whether education is "a fundamental right or interest" involves a legal interpretation that we do not feel qualified to dispute. But even if the "rational basis" standard is applied, the court's finding that "the present system is rationally related to retaining some measure of local control which is a legitimate legislative goal" is erroneous, since the current system fails to give local control to all districts. Property-poor districts must tax themselves to the limit simply to meet the minimum standards set by the state. Only relatively wealthy districts have enough resources to be able to freely choose spending levels.

The ruling that the "uniform tax" provisions of the Oregon Constitution are not violated because all persons within the district are treated uniformly is hard to understand. Public education is a state responsibility. How can the court find that tax laws are applied uniformly when two people living across the street from one another (but in different school districts) pay substantially different taxes to support public education because one district contains a plywood plant and the other does not? It is not uncommon for a district to raise six or seven times as much money for schools as a neighboring district with the same tax rate. The fact that taxes are applied uniformly within a district does not produce tax equity from the point of view of the state, and it is the state's responsibility to provide a uniform and general system of public education.

Shortly after Circuit Court Judge Edward Leavy issued his opinion, lawyers for the plaintiffs announced they would appeal the case. Nevertheless, the judge's opinion that the Oregon system is constitutional removed the constitutional pressure for reform of the school finance system. The chairman of the Senate Revenue Committee immediately announced there was "almost no chance" that the proposed school finance legislation would be passed by the 1975 legislature. Senate President Jason Boe announced that the Interim Revenue Committee "will be assigned the responsibility of examining the school finance question" before the next session of the legislature.[8]

## Prospects for Future Reform in Oregon

The legal battle for equitable school financing in Oregon will continue. The Creswell case is being appealed to the Court of Appeals, and it will probably reach the Oregon Supreme Court late in 1976. Meanwhile, school finance cases are either pending or have been settled in at least 36 other states. In California, the legislature is under court mandate to establish a fiscally neutral school finance system within six years. A petition for a rehearing has been filed in the state of Washington in response to the state Supreme Court's split decision upholding the current finance system. In Idaho, a trial court decision overturning the state's school finance system is being appealed by the state.

While courts in Oregon and other states continue to scrutinize school finance arrangements, numerous state legislatures have taken upon themselves the task of reforming state finance systems. In 1973 alone, 11 states altered their school finance formulas to provide greater equalization of educational revenues among school districts. In the past two years more than 40 states have established study commissions and committees to find alternative ways of financing public schools. Although the Rodriguez decision and the trial court decision in the Creswell case have slowed progress toward school finance reform in Oregon, it is hard to imagine that the state will escape for long the national trend toward greater equalization of educational resources.

Regardless of court decisions in Oregon or elsewhere, it is ultimately the state legislature that is responsible for overseeing public education and the way it is financed. The Oregon Constitution states that "the legislature shall provide by law for the establishment of a uniform, and general system of Common schools." It is the legislature that must assume responsibility for the present system of school finance which dispenses public education according to the wealth of local school districts. Since the wealth of a school district has almost nothing to do with the educational needs of its students, the legislature should find a more rational basis for determining the quality of education in Oregon's public schools.

# SUMMARY

## Goals of School Finance Reform

This book was written to assist those who pursue the elusive goal of equity in state school finance systems. The goal of equity and equal educational opportunity does not mean the same thing to all people. At one extreme, equity may mean guaranteeing a minimum level of educational service which will enable students to participate in society when they leave school. This philosophy underlies most of the state foundation programs which still exist across the country. At the other extreme, equity may mean equalizing the educational achievement of all students, regardless of their abilities or interests. This would require allocating substantially more money for the education of children with learning difficulties or disadvantages.

In between these extreme positions are two intermediate interpretations of equity. One view is that every child should have the same amount of money spent on his or her education. This is the approach that the McCall school finance program would have taken. Its major disadvantage was that it conflicted with the desire of many Oregonians to maintain local control over educational policy.

A second view is that the ability of different school districts to raise educational revenues should be equal, even if actual expenditures are not. This idea, known as the fiscal neutrality principle, has emerged as the dominant theme of the school finance reform movement. The fiscal neutrality principle does not require that the state increase its support of education, nor that local property taxes be eliminated, nor that districts spend the same amount on the education of each student. It merely says that the distribution of educational resources must be a function of the wealth of the state as a whole, rather than the wealth of individual school districts.

Justice Sullivan in his landmark opinion for the California Supreme Court in *Serrano v. Priest* ruled that the state should not invidiously discriminate against poor school districts by making the quality of a child's education a function of the wealth of his parents and neighbors. However, the standard established in *Serrano* does not say what equality is; it simply points out what it is not, leaving the determination of how educational resources should be distributed to the legislature.

Pursuit of the goal of equity in school finance would not be so difficult, even with these definitional problems, if equity did not frequently conflict with other important values. We have described the tensions between the desire for greater equity and the desire for local control, the desire for more efficient use of education revenues, and the desire to save big city school districts from further decay. The alternatives and recommendations presented in this book attempt to recognize all of these concerns. The goal of fiscal neutrality may be modified to direct additional resources to areas of special education need. Most of the plans we have described would enhance local control by permitting the local school district to choose how much to spend for education and how to spend it. We have also included many provisions that would encourage greater productivity and more efficient expenditure of educational dollars.

Balancing these often conflicting goals creates more complexity than is desirable if the public is going to understand and ultimately control public education policy. We have therefore sacrificed many theoretical niceties to keep the proposals from becoming more complicated than they already are. A few administrators will criticize the plans for failing to deal with various nuances of Oregon's finance system, such as some nontax receipts. However, we have purposely tried to limit our reform proposals in the belief that avoiding needless complexity is an important goal itself.

## Inequities of Oregon's Current School Finance System

Chapter 3 describes Oregon's current school finance system and uncovers a pattern of state-created wealth discrimination common to most states across the country. Although education is clearly a state responsibility, Oregon (like most other states) delegates the operation and much of the financing of public schools to local school districts. The major problem arises from the fact that the state does not provide each district with an equal ability to finance its schools. Local school districts raise more than 70 percent of public school revenues, but have greatly varying abilities to do so. Some districts can raise substantial revenues with little tax effort, while property-poor districts can raise little despite very high local property tax rates. Studies in Oregon and across the country show that the wealthier a district is, the more it spends for each child in school. Children in property-rich districts receive superior educations simply because of the wealth of the district in which they live.

Oregon, like most other states, has recognized the state's responsibility to equalize the revenue-generating abilities of local school districts. In 1946 the Basic School Support Fund was established to "equalize educational opportunities and conserve and improve the standards of public elementary and secondary education." Since then, however, state support has been used more to support all school districts than to equalize educational opportunities. In fact, the current distribution of state funds actually helps wealthy districts more than poor districts. Eighty percent of the Basic School Support Fund is distributed as flat grants to rich and poor districts alike. Since poor districts are already guaranteed the minimum foundation level, the flat grants they receive neither increase their program offering nor reduce their local tax burden. Wealthy districts, on the other hand, can use flat grants to either improve the quality of their program or reduce local taxes. And above the minimum program level (in fact, above the minimum program level minus the size of the flat grant), a relatively wealthy district can raise more for each dollar of tax above the state-calculated rate than a district with less taxable property per student. The current school finance system does very little to insure that districts which exert the same tax effort have the same amount to spend for each student.

Some argue that such wealth discrimination is justifiable to insure some measure of local control over schools. This argument cannot withstand careful examination. In the first place, many districts are so poor and receive so little state aid that they can barely meet the minimum state standards even by taxing themselves to the limit. For them local control is meaningless, since they have few options available to them. Under the current finance system local control is a reality for relatively wealthy districts only.

In the second place, greater equalization of revenue-generating ability would not reduce local control. In fact it would increase local control by extending the privilege to poor districts. The alternative finance plans we have described in this book are designed to increase local choice; they would stabilize school finance in the state and free local school boards to spend more time on program choices. And if some of the suggestions in chapter 6 were implemented, public control of education would be increased by delegating more decision-making to the school site. In the Creswell case, Judge Leavy ruled that "the present system is rationally related to retaining some measure of local control which is a legitimate legislative goal." We agree it is an appropriate legislative goal, but we strongly disagree that the inequities of the current system enhance local control or are necessary to insure it.

## Alternative School Finance Plans

Chapter 4 presents four alternatives to the current school foundation program in Oregon. The first plan, the foundation phase-in plan, would keep many features of the current system but substantially increase state equalization by eliminating flat grants entirely and using those funds to increase the foundation support level. It would also require that every district levy a minimum tax of $12 per $1,000 true cash value and return to the state any revenue that tax produced over the foundation level. Districts would be free to tax their own property above the $12 tax rate up to a maximum of $18 per $1,000 TCV. Equalization of district expenditures would be increased gradually by raising the foundation support level and reducing the maximum tax rate.

The local guaranteed yield plan, which the Committee on Equal Educational Opportunity recommended to the 1975 legislature, would guarantee that districts which make the same tax effort for schools receive equivalent resources per pupil. The state would establish a local guaranteed yield schedule showing the level of school tax effort required to support various levels of spendable receipts per pupil. The district would select the level of spending it desired and the corresponding tax rate. If at this rate the local school tax generates less revenue per pupil than the state guarantee, the state would make up the difference. The plan also includes categorical grants for small schools, transportation, compensatory education and special education. To reduce the dislocations implementation of such a program would produce for some districts, it could be phased in over several years. Flat grants could be gradually reduced to zero over four years, and any recapture that is provided could be similarly phased in by increasing the percentage of recapture over four or five years.

The third plan, the total tax effort equalization plan, would help urban areas with higher-than-average total tax burdens. This plan would change the indicator of district effort from the school tax rate to a computed total tax rate. The total tax effort equalization program is basically a local guaranteed yield program. It differs from the second plan in that it is based on a total tax rate computed by dividing the amount raised by all taxing bodies in the school district by the true cash value of the district. Since an average of about 60 percent of local tax dollars goes for schools, the total tax rate would then be multiplied by 60 percent. This would keep the level of state support equivalent to plan two, but would distribute more state equalization money to districts with relatively high total tax burdens. The actual amount a district would have to spend might be above or below the state guarantee, depending mainly on whether a district's school tax rate is more or less than 60 percent of the total tax rate.

The fourth plan, the available wealth equalization plan, is also designed to deal with the problems of urban school districts. It would adjust the measure of local property wealth by considering only that portion of a school district's property value which is available for school taxation. This plan is also a modified local guaranteed yield plan. A local guaranteed yield schedule would be established by the state, and districts which cannot raise the guaranteed amount at the corresponding school tax rate (adjusted to bring the total statewide valuation back up to the actual valuation) would receive the difference in equalization aid from the state. Such a plan would assist districts with higher-than-average noneducation tax burdens. Since this approach would provide incentives for local districts to reduce educational expenditures and shift money to other local budgets, we do not recommend its adoption in Oregon.

Chapter 4 also describes three alternatives for insuring that property-rich districts contribute to the support of education in property-poor districts. The first possibility, statewide recapture, has proven politically infeasible in many states, and it is probably unacceptable in Oregon as well. However, almost the same result could be accomplished through establishment of regional equalization districts. A uniform regional tax would be levied to raise some portion of local school budgets. The money would then be redistributed to component school districts on a per pupil basis. As long as the variation in wealth per pupil among regions is small and the amount raised at the regional level is large enough, considerable equalization can be accomplished by this method. The third alternative is a modified intermediate education district scheme which would provide substantially more equalization than is currently provided by the IED equalization levy.

## Adjustments for Educational Need

Chapter 5 explores various adjustments to state school finance formulas which would provide additional state dollars to districts with students requiring high-cost educational services. Any state providing free public education must face the problem of delivering educational services to children who are handicapped. We have described the present delivery of special education services in Oregon and recommended ways of improving both the delivery of those services and the way they are financed.

To assist urban school districts, we recommend state compensatory education grants scaled to the concentration of disadvantaged children in each school district. There is general agreement that students from low income and socially disadvantaged families require extra educational services in order to fully participate in the general education programs of public schools. However, there is less agreement on how to identify students needing compensatory education and on how much extra compensatory education programs cost. We therefore recommend that compensatory education grants be unrestricted—the larger the number of students receiving special services, the larger a district's allowable per pupil expenditure should be.

The goals of public education have been expanding to include career preparation and life-long learning. School districts now receive federal money for occupational education programs for 11th and 12th grade students, while programs below that level are funded from local sources. Many believe that the state should pay some of the excess costs of these programs. Unfortunately very little information is available on the programs currently being offered in public schools, community colleges and proprietary schools. We recommend that a comprehensive study of occupational education be conducted in Oregon and that the state limit its participation to providing seed money for pilot programs until the study is completed.

The state of Oregon does not contribute to the capital costs of local school districts. This means that wealthy districts are able to afford better facilities than poor districts. Since the quality of school facilities affects the educational opportunities of school children, we believe that capital expenditures should also be equalized by the state. Furthermore, if the state decides to expand its support of special education programs, early childhood programs and occupational education programs it will have to consider the facility requirements of those programs. Twenty-seven states currently assist local school districts with the costs of buildings and equipment. Before Oregon could take such a step it would have to collect data on the number, adequacy and safety of current school facilities in the state; we therefore recommend that a major survey and study of school facilities be undertaken by the State Department of Education. Until this is done, the state will not be able to develop a realistic plan for contributing to the capital costs of local school districts.

Finally, we recommend that identifiable cost of living differences be included in any new state school finance formula. A preliminary survey conducted by the State Department of Revenue revealed a seven percent cost of living differential between the Portland metropolitan area and rural areas in the southwestern and eastern parts of the state. A more thorough survey should be conducted, and the state finance formula should be adjusted to reflect the differences identified.

## School Productivity

Many Oregonians are concerned with the quality of education they are receiving for their tax dollar. Chapter 6 reviews some of the problems associated with increasing productivity in schools and suggests a number of ways to improve the performance of both teachers and school districts.

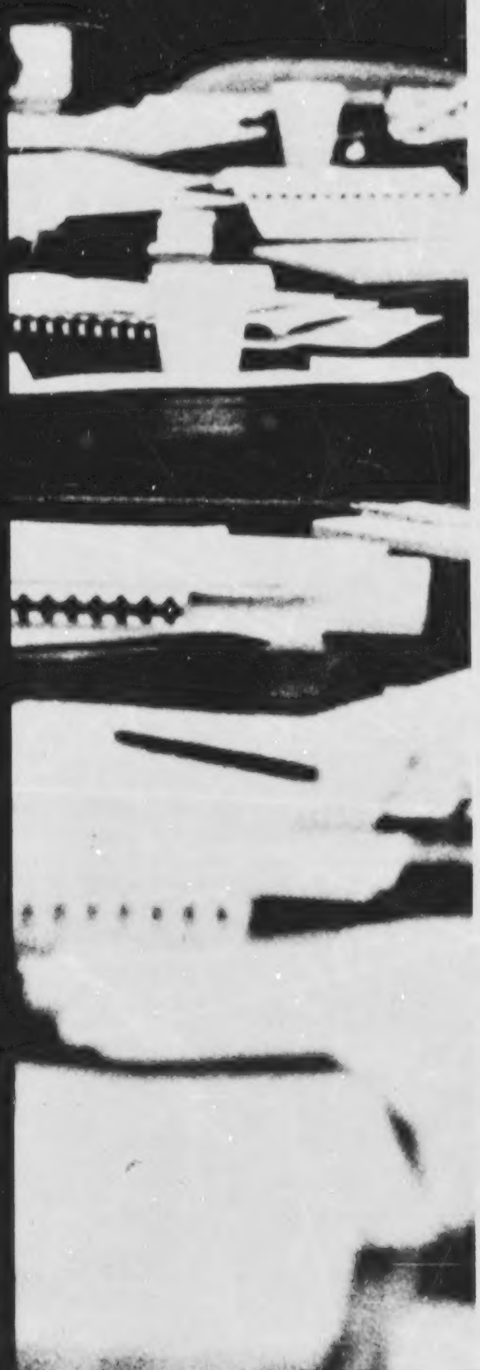
## The Technology of Reform

Reform of state school finance systems is never easy. Reformers will be opposed by those who profit from the status quo, and they will receive only lukewarm support from those who would gain from the proposed reforms. Having lost so frequently in the past, many people from poor school districts doubt that any change will benefit them. In addition, they are often too poorly informed or too busy trying to make ends meet to effectively present their own interests in the legislature.

One of the major goals of the Oregon School Finance Project was to develop a technical capability which would permit educators and legislators to quickly, cheaply and accurately analyze a wide variety of state school finance plans. The computer simulation described in chapter 7 is now available for use in the state. It permits policy-makers to analyze the impact of many different programs which are explained in this book. Since the simulation program has already been written, the cost of analyzing a new program is very small. In a matter of hours, a staff analyst for a legislative revenue committee can accurately predict the impact of a new program on every school district in the state for the current year and/or for the subsequent five years. Chapter 7 explains the simulation and how it is used. Given the political will to reform Oregon's school finance system, the state now has the technical capability to produce a formula which will accomplish that objective.

## Conclusion

The authors of this book set out to help the citizens and policy-makers of Oregon find new ways of reforming the state's school finance system. Hopefully the analyses and proposals contained in these eight chapters will accomplish that goal. For too long many children living in poor districts have been victimized for no reason other than they live in poor school districts. We must continue our efforts to find a fair way of financing public schools, so that every child may have an equal educational opportunity.



# APPENDIX

# A REPORT OF THE COMMITTEE ON EQUAL EDUCATIONAL OPPORTUNITY

## Introduction

Clearly one of the most difficult challenges facing Oregon legislators in the 1975 legislative session is to reform the way public schools are financed.

In a state dedicated to the democratic principles of openness and equality of opportunity, it is ironic that educational services are distributed in greater quantity and quality to pupils who live in high-property-value communities, than to children in low-property-value school districts, and to those in our oldest, deteriorating central cities.

Most Oregonians take pride in the progressive legislation passed to protect the ocean beaches and our environment, and to plan for the orderly development of our cities and open spaces. However, neither the legislature nor the voters of Oregon have found a way to provide a "uniform and general" system of education as required by the state's constitution.

After years of pursuing a state goal of "equalization" in financing public schools, school districts rich in property wealth characteristically tax themselves at low rates, yet, they can provide expensive programs. Districts poor in property wealth usually tax themselves much harder, yet they raise less money per pupil.

And in a state where public elementary and secondary education is such a major governmental activity, it is perplexing that so few people understand how schools are financed.

Recent attempts to find an equitable way of financing Oregon's public schools have floundered. In part, this is because it has been difficult for people to agree on what equity means. Some have focused on the fairness of how money is raised for schools. Others have looked at the way that money is distributed. Still others have concentrated on the educational achievement of students.

Disagreement over the goals of equal opportunity is a legitimate concern of all citizens. Unfortunately, these philosophical differences have had less to do with the failure to find a fair way of financing schools than with the narrow concerns of various special interests.

Forgotten by those demanding special treatment have been the parents and children in property-poor school districts, who must bear disproportionally high school tax burdens and be satisfied with inferior educational programs. Forgotten also have been the children with learning handicaps who have not received the special programs needed to provide them equal educational opportunities. The time has come for Oregon to set aside these local interests, and stress foremost an equal educational opportunity for every child in the state. We must develop a workable and understandable system of financing public schools. It must eliminate the advantages of local wealth while taking into account the special educational needs of some children and the preference of some communities for superior educational programs.

With these purposes in mind the special legislative Committee on Equal Educational Opportunity has worked for the past year. Appointed by the Senate President and the House Speaker in December 1973, the committee was directed to study the current method of financing schools in Oregon and recommend changes. The committee met monthly during the spring of 1974. It received testimony on several topics, including the impact and equity of the current school finance system, urban finance problems, financing compensatory education, special education, and career education. At the same time the committee staff developed a computer simulation which will permit legislators and educators to quickly analyze the effects of proposals on every one of Oregon's 339 school districts.

During the fall, the committee considered a variety of school finance plans designed to provide all Oregon children with an equal educational opportunity. After long and careful deliberation the committee has prepared a number of proposals for consideration by the 1975 legislature. The purpose of this report is to explain these recommendations and their impact on Oregon School districts.

The proposals presented here require only a few changes from the current system. Yet, they equalize the ability of school districts to finance their schools. At the same time districts are allowed to choose the amount of money they want to spend to educate their children, and the proposals provide additional funds for children with special learning needs.

The recommendations do not require a substantial increase in either state or local funds. They are designed to create a fair, understandable, and durable school finance program which will guarantee an equal educational opportunity for every child in Oregon.

To meet these objectives the Committee on Equal Educational Opportunity recommends that the legislature:

1. Adopt a new state school aid distribution system called the Local Guaranteed Yield Program.
2. Establish three school finance districts to provide equalization on a regional basis.
3. Provide state grants to school districts for children with special learning problems.

## Oregon's Current School Finance System

In the United States, public primary and secondary education is the responsibility of the states. Most states, including Oregon, delegate much of the operation and financing of schools to local school districts. The role of states in public education has been to set program requirements for schools and provide funds to insure that school districts offer adequate educational programs.

The school finance system in Oregon has come under attack because the state has not endowed local school districts with an equal ability to raise revenues. Since most local school revenues are raised by property taxes, the property wealth of a school district determines its ability to finance educational programs. In 1973-74 McKenzie No. 68, a property-rich district, raised from all sources $1,973.46 per weighted pupil at a $14.95 school tax rate, while Hermiston No. 8, a property-poor district, raised only $1,167.14 at a $16.56 school tax rate. So, a district with high property value requires a lower tax rate than a property-poor district to raise the same amount of money. The effect is to deny children living in property-poor districts an equal educational opportunity.

This would not be an insoluble problem if the state used its resources to reduce the wealth discrepancies between local school districts. However, under the current state school finance formula, these disparities are not eliminated, and in some cases they are increased.

### Basic School Support Fund

In 1973-74 the state provided 24.4 percent of the revenue sources of public elementary and secondary schools in Oregon. This percentage of state support of schools is among the lowest in the nation. Ninety-four percent of this state school aid was distributed to school districts through the Basic School Support Fund (BSSF); the remaining 6 percent was distributed through small, miscellaneous accounts.

According to Oregon Statutes, the purpose of the BSSF is to "equalize educational opportunities and conserve and improve the standard of public elementary and secondary education." However, the fund essentially distributes most of the money to all school districts on a per-pupil basis without regard to wealth. (This is known as a flat grant program.) Only modest provisions exist for equalization.

In actual practice, the BSSF is distributed to school districts for per-pupil flat grants, transportation, equalization, and changes in enrollment. The amounts distributed for each purpose and the relationships among them are shown in the following table.

The procedure for determining how much money a district receives from the state is extremely complicated. In simple terms, the state first establishes how much should be spent on each child's education. This basic program, or the foundation level, as it is called, is based on the relationship of current expenditures for schools, to the basic program in 1955-56.

**The Basic School Support Fund 1973-74**

| | Millions of Dollars | Percent of Total |
|---|---|---|
| A. Transportation Grants | 9.4 | 6.6 |
| B. Equalization Account (20% times A-B) | 26.8 | 18.7 |
| C. Flat Grants, Growth and Declining Enrollment Accounts | | |
| Flat Grants | 105.2 | 73.4 |
| Growth | 1.5 | 1.0 |
| Decline | 0.5 | 0.3 |
| **Total** | **143.4** | **100%** |

Next the legislature appropriates an amount of state money for primary and secondary schools. From this total amount the State Department of Education deducts the amount required to partially reimburse school districts for their transportation costs. Twenty percent is then set aside for equalization (the money that is given to low-property-wealth districts to help them support their public schools). The remainder, about 75 percent of the total, is distributed to districts on an equal per-pupil basis (as flat grants).

The small amount available for equalization is used to bring every district up to the state foundation level, which was $682.23 per student in 1973-74. The following illustrates how the state equalization grant to each district is determined:

A district's equalization grant
—equals—
The basic program times the number of students
—minus—
Amount received in flat grants
—minus—
Required tax rate times value of district's property
minus
Other miscellaneous receipts.

Though the purpose of the BSSF is to equalize educational opportunity, less than 20 percent of the BSSF is now available to equalize up to the foundation level of $682.23. The fact that this foundation level is less than is spent in the lowest spending district in the state ($825), and considerably below the state average ($1058), unveils a fundamental shortcoming of the foundation program. Because there is no equalization above the foundation level, it does not provide that all districts can have the same offering if they have the same tax effort. In fact, rich districts can generate more money to spend per pupil than poor districts at every tax rate above the minimum required level.

**Intermediate Education Districts**

In addition to the equalization account of the BSSF, some equalization of local school district revenues occurs through the Intermediate Education District levy. The state is divided into 29 Intermediate Education Districts. These districts basically follow county lines, and exist in those counties lacking county-wide school districts. IED's may ask their voters to approve an equalization levy. If approved, the receipts are distributed to school districts within each IED on a per student basis.

Thus, an IED equalization levy taxes all the property in the IED and distributes the revenues where the children are.

This levy provides a significant proportion of the budget for only a few districts, which are generally small and poor. In this way it helps a few districts provide more adequate educational programs. IED equalization fails to insure the state goal of equalization in at least three ways, however. First, only a small portion of the funds raised by IED's is redistributed from property-rich districts to property-poor districts. Second, even though wealth varies substantially between IED's, the system does not permit redistribution among IED's.

Consequently, under the state formula for equalization, some districts that receive state equalization money are, at the same time, contributing districts under the IED equalization formula. The opposite also holds true. Third, the amount of equalization that can be accomplished within an IED depends on the size of the IED levy. Because of the differences in total tax bases and voter acceptance, the levy can be both important in some IED's and trivial in others.

In summary, the burden for supporting public elementary and secondary schools in Oregon falls most heavily on the local property owner. The state contributes less than thirty percent of the costs of public education, and distributes most of that money on a per-pupil basis. The small amount remaining for state equalization, along with the IED equalization levy, does not eliminate the great variation in local school districts' abilities to support schools. The result is that under the current system, taxpayers in property-rich districts can tax themselves at below-average tax rates and have expensive educational programs, while taxpayers in property-poor districts must tax themselves at above-average rates for inferior educational programs. Obviously, the state goal of equal educational opportunity is not met under the current system of financing schools in Oregon.

## A New Proposal

In developing proposals for a new school finance system, the committee agreed that the plan should meet several goals. First, a new system should insure that every child in the state receives an adequate and equal educational opportunity, and that the quality of education is not determined by the wealth of local school districts but only the wealth of the state as a whole.

Second, control over educational decisions should remain at the local level. Local control is important to most Oregonians. We believe that districts should be free to choose how much they want to spend on education and how to spend that money. Under the present system only the wealthy districts truly have local control, because only they can afford to choose among a variety of options. Poor districts have to tax themselves to the limit simply to meet minimum state standards. By eliminating the advantages of wealth, every district would have the same ability to choose its school program.

Third, a new school finance system should provide funds based on educational need as well as fiscal ability. Districts with concentrations of handicapped or disadvantaged children who require more expensive programs should receive additional state school support.

Finally, the committee believes a new school finance plan should be simple to understand. Because of the diversity of Oregon school districts, a fair and reasonable school finance plan will have some complications. But, the program recommended by the committee is built upon several concepts that can be understood by almost everyone.

To accomplish these four goals, the Committee on Equal Educational Opportunity has developed a package of 20 recommendations. The three main proposals contained in these recommendations should be viewed as a single plan for reforming Oregon's system of school finance. Elimination of any of these could make the program either inequitable or unacceptable to some school districts.

The three main proposals include: a local guaranteed yield plan; the establishment of regional school finance equalization districts; and state grants to school districts for special education, compensatory education, occupational education, transportation, and necessary small schools. We believe the combination of recommendations and proposals outlined in this report will provide an equitable and financially sound system of school finance in Oregon.

**A Local Guaranteed Yield Program**

The key element in this package of reform proposals is a new method for distributing state equalization aid to school districts. The local guaranteed yield program we are recommending would insure that districts exerting the same tax effort would have approximately the same number of dollars to spend per child. Such a program would reduce expenditure inequities resulting from variations in the wealth of school districts. It would increase local control by permitting all districts to choose their own level of school expenditures and corresponding tax rate.

From the point of view of the local school district, this school finance program is very simple. The local guaranteed yield plan guarantees for every tax rate a corresponding level of revenue. So, a school district selects how much it wants to spend per student and the tax rate that goes with that level of spendable dollars. If the district does not have enough taxable property wealth to raise the guaranteed amount from its school tax rate, the state makes up the difference.

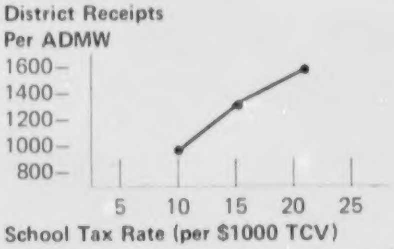
To institute this plan requires several decisions by state policy makers. A local guaranteed yield schedule must be established which insures that the children of the state receive a "uniform and general" education, and at the same time does not require more state money than is available for public elementary and secondary education. To insure that every child gets an adequate education, the state may want to require a minimum tax effort in order for a district to be eligible to participate in the program.

The state may want to set a maximum tax rate beyond which there is no state guarantee to protect the state treasury and discourage districts from over-emphasizing education to the neglect of other local services. Finally, the state may want to encourage low-spending districts to spend more per student, by increasing the level of guarantee at lower tax levels.

To illustrate how the local guaranteed yield program would operate, the committee staff has designed a program for 1975-76 and simulated its results for Oregon's 339 school districts. The plan assumes that the state will provide about 30 percent of the costs of education in 1975-76, and that there should be a minimum expenditure level of $980 per student required for a district to participate in the program. It also provides that districts taxing below $16 per $1000 true cash value (TCV) are guaranteed more per dollar of local school tax levied than those taxing above that rate.

More specifically, to participate in the program, a unified district must levy a school tax of at least $10 per $1000 of local taxable property. At this $10 rate the state guarantees receipts of $980 for each elementary student and $1274 for each high school student. If the district does not have enough taxable property wealth to produce the guaranteed amount, the state makes up the difference. If the district can raise the guaranteed amount from local sources, it receives no equalization aid. The same relationship between the state equalization aid and local wealth applies throughout the local guaranteed yield schedule.

The state guarantees additional receipts as a local district raises its local school tax rate between $10 and $22. Between $10 and $16 tax rates, an additional $57.50 per student is guaranteed for each additional dollar of tax levied; between $16 and $22 an additional $36 is guaranteed. Districts can tax themselves above the $22 maximum guarantee level, but there is no equalization above this point. These tax rates and corresponding guaranteed levels of revenue are illustrated in the following figure:



The purposes of the local guaranteed yield plan are to permit districts to choose the amount of money they want to raise and to insure that all districts have an equal ability to support their schools.

**Regional Equalization Districts**

The proposed local guaranteed yield program and the current program rely heavily on the local property tax to support schools. One problem is that rich districts often raise more than the amount which is guaranteed for a particular tax rate. Another problem is that regional facilities with high property value, such as nuclear power plants, dams and pipelines, are usually not located in areas with many children. Consequently they do not bear a fair share of the burden of school taxes in the larger region of which they are a part. To overcome this problem, the state could require that every school district participate in the local guaranteed yield program, and pay back to the state any revenues raised from local property taxes which exceed the guaranteed amount. The money thus returned to the state could then be redistributed to poor districts.

Our proposal is to levy a uniform tax on all taxable property in a region to produce a specified number of dollars per child. The receipts thus generated would be distributed to school districts in the same region on a per-pupil basis. The mechanics of this idea are not complicated. Each school district would be classified into one of three school finance equalization districts. District I would consist of all school districts east of the Cascades; District II would consist of all those west of the mountains, except those in District III which would include school districts in Columbia, Clackamas, Multnomah, and Washington counties. These regional districts were selected on the basis of their economic and tax structures, and because people living in those areas identify with them geographically.

Once the three districts are established and their total property value computed, one can derive a tax rate for each region necessary to raise a specified number of dollars per pupil. This tax rate would be levied against all taxable property in the region, and the revenues distributed to the school districts on a per pupil basis.

Under the local guaranteed yield program, a district's level of guarantee would be determined by adding together the regional equalization tax and the local school tax. For example, a local district with a school tax rate of $10 and a regional equalization tax of $5 would be guaranteed expenditures for a local tax rate of $15.

There are several reasons for having the regional school finance equalization districts. First, the regional districts would raise a substantial amount of equalization money, thus reducing pressures on the state for additional equalization aid. Second, the state money could then be distributed to a larger number of school districts in the state. Third, it would permit the state to eliminate the Intermediate Education District equalization levy, which is generally misunderstood.

### Categorical Grants

A third essential part of the committee's package of proposals is state categorical grants to districts having children with special educational needs. Specifically, grants are provided for special education, compensatory education, transportation, occupational education and necessary small schools.

**a. Special education**. There are approximately 50,000 school-age children in Oregon with physical and mental disorders requiring special educational services. Only 64 percent of these children are presently receiving services. Currently the state provides only about one-third of the costs for those children being served. The 1973 legislature enacted a law requiring districts to provide educational services to all handicapped children in their districts. However, the legislature did not provide enough funds to enable districts to meet this mandate.

The committee recommends that the legislature direct the State Department of Education to conduct a study on the costs of providing educational programs for handicapped children. The legislature should provide funds for the study and it should enact a new law for funding special education that relates state reimbursement to the particular educational needs of each handicapped child.

**b. Compensatory education.** Just as physically and emotionally handicapped children need special education services, we believe children from socially and economically disadvantaged families need special programs to prepare them for participation in the regular school program. Since the educational level of their parents is often very low, these children frequently need more language and mathematics instruction than students from middle-income backgrounds.

Some children also need assistance in basic learning skills so they can participate effectively in the classroom situation. This can frequently be provided by teacher aides who are also parents of children in school. Additionally, children from poor families may need special health services as well as breakfast and lunch programs. In short, these disadvantaged children need more money spent on them to provide them an equal educational opportunity. For these reasons, the committee believes special categorical grants should be provided to districts with concentrations of economically and socially disadvantaged children.

There are several criteria that can be used to identify students from disadvantaged families: test scores, income, and children from families receiving welfare payments. Test scores are not available in Oregon, and figures on low income families are out of date. Current welfare figures show that there are about 40,000 school age children in Oregon from families receiving welfare payments. The committee recommends that the state provide funds for compensatory education grants scaled to the concentration of children from families receiving welfare.

**c. Transportation.** Since transportation costs are not related to educational programs and place an unfair burden on some districts, the committee recommends that the state pick up 75 percent of the previous year's approved costs. Currently the state reimburses school districts for between 50 percent and 55 percent of their transportation expenditures.

**d. Occupational education.** Oregon has made great strides in bringing occupational and career education concepts into its educational program. But most of the current programs are supported with either federal or local funds. The committee supports the emphasis placed on occupational education, but would encourage additional state support of these programs at the local level.

Currently, the State Department of Education collects information on occupational education programs funded by the federal government. There is very little information on the occupational programs provided by local school districts, or by other educational institutions which make their programs available to public school students. Therefore, the committee recommends that before any large state funding program for occupational education is begun, information on current programs be collected. While this is being accomplished, the state should provide seed money for new occupational education programs at the local level.

**e. Necessary small schools.** Grants should continue to be provided for necessary small schools.

## Impact

The three proposals we have presented make up a single plan for reforming Oregon's school finance system. Therefore, it is important to see how all of the proposals, when considered together, affect the distribution of funds to local school districts. There are many possibilities for changing specific parts of the new school finance plan. Whenever a change is contemplated, though, it must be considered along with the other components in order to get an accurate measurement of its impact.

To help the reader understand how this new package of school finance proposals would affect school districts, information is provided here for five of them: Portland, Reedsport, Beaverton, Eugene, and Hermiston. For the reader wanting more information, additional data for a larger number of districts are presented in Tables A–D in the Appendix. Results for every school district are available upon request from the committee staff.

### Effects in 1973-74

The effects of the new finance proposals are shown for 1973-74 as if the new program had been used that year to distribute state school aid. By comparing the results under the new plan with the present distribution system, the reader can see the kinds of changes the new program would produce.

As mentioned before, the package consists of three major parts—the local guaranteed yield program, regional equalization districts, and categorical

### 1. RESULTS OF THE NEW PROGRAM IN 1973-74

| | Number of Students (Weighted) | Property Value per Student | Total State Receipts Per Student | Local Tax Rate Needed To Maintain Expenditures |
|---|---|---|---|---|
| Portland | 70,291 | $67,790 | $332.92 | $13.65 |
| Reedsport | 1,692 | 67,098 | 247.70 | 13.82 |
| Beaverton | 21,897 | 47,376 | 374.53 | 15.84 |
| Eugene | 22,260 | 44,446 | 443.74 | 15.32 |
| Hermiston | 2,791 | 26,480 | 508.81 | 15.08 |

### 2. CHANGES UNDER THE NEW PROGRAM IN 1973-74

| | Change In State Receipts | Change In School Tax Rate* |
|---|---|---|
| Portland | $67.24 | $0.0 |
| Reedsport | 13.88 | +1.33 |
| Beaverton | 135.93 | –3.10 |
| Eugene | 203.56 | –3.87 |
| Hermiston | 72.06 | –1.48 |

*This is the change in local tax rate required to maintain actual 1973-74 spendable receipts.

### 3. RESULTS OF THE NEW PROGRAM IN 1975-76*

| | Number of Students (Weighted) | Property Value per Student | Total State Receipts Per Student | Local Tax Rate Needed to Maintain Expenditures |
|---|---|---|---|---|
| Portland | 68,470 | $85,670 | $355.08 | $13.74 |
| Reedsport | 1,688 | 77,624 | 312.64 | 14.17 |
| Beaverton | 22,037 | 60,450 | 416.11 | 16.06 |
| Eugene | 21,164 | 56,505 | 515.47 | 15.52 |
| Hermiston | 2,571 | 35,652 | 610.72 | 14.82 |

*Based on predictions of TCV and enrollment in 1975-76 and the assumption that school costs per student will increase 10% a year from 1973-74.

grants for special education, compensatory education and transportation programs. The simulated 1973-74 results are based upon a local guaranteed yield program in which a district would have been guaranteed a minimum of $780 at a $10 local school tax rate, $1080 at a $16 local tax rate, and a maximum of $1290 at a $22 local tax effort.

In addition, there would have been a uniform regional tax levied to produce $300 per student in each region. Districts would have received categorical grants of $200, $400, or $600 for compensatory education students, depending on the number of such students in each district. Special education grants would have been the same as under the present system, while state reimbursement for transportation costs would have increased to 75 percent of the previous year's approved costs. Grants for necessary small schools would remain the same as at present. Such a program would have cost the state $203.4 million in 1973-74 ($51.7 million more than was actually spent). This would have increased state support to approximately 32 percent of total nonfederal receipts.

As you can see from Table 1, the new plan distributes more state money to low property wealth districts than to high property wealth districts.

In comparing the distribution of state money under the local guaranteed yield program with that provided in 1973-74 under the current Basic School Support Fund in Table 2, considerably more state money would have been sent to relatively poor districts under the new proposals than under the old system.

**Effects in 1975-76**

The effects of the new finance proposals for 1975-76, the first year of the next biennium, are shown in Table 3. By using projections of both property values in school districts and enrollment in those districts, and by making the assumption that educational costs will increase on a per capita basis at an average rate of ten percent a year between 1973-74 and 1975-76, it is possible to illustrate what would happen to a district's taxes and state receipts under the new program.

In the 1975-76 simulation a school district would be guaranteed a minimum of $980 per student at a $10 local school tax rate. It would be guaranteed an additional $57.50 per student for each additional dollar up to a local tax of $16 and an additional $36 per student for each additional tax dollar between $16 and $22. As before, there would be no equalization above $22.

The regional equalization district grant would be increased by 10 percent a year, to $363 per child. Grants for special education, compensatory education, and transportation reimbursement would likewise be increased to keep up with the increasing costs of education.

In summary, the new program accomplishes the goals of the committee. State money is distributed in such a way as to substantially reduce the effects of local wealth on a child's education. State support is increased to meet the needs of children requiring extra education services. And finally, the new program is designed around a very simple idea, that districts which exert the same tax effort for schools should be able to spend approximately the same amount of money per student.

## Committee Recommendations

**1. The legislature should provide state school aid to local school districts through a local guaranteed yield program.**

A district would be guaranteed a level of revenue corresponding to its locally selected tax rate. State school support to a district would be the difference between the guaranteed amount and the amount the district receives from its local property taxes plus some federal receipts. A guaranteed yield schedule which would achieve 32 percent support in 1975-76, for instance, might guarantee each district $980 per student at a $10 local school tax rate, $57.50 for each additional dollar of tax up to $16, and $36 for each additional dollar of tax up to a maximum of $22. Districts would be free to tax themselves above the $22 rate but no equalization would be provided.

**2. The legislature should make a commitment to support at least 30 percent of the operating costs of elementary and secondary education in the state.**

To do this, the committee recommends that the legislation establishing a local guaranteed yield program be written in such a manner that it would take positive legislative action to reduce the proportion of state support below the 30 percent level.

**3. The legislature should provide that the local guaranteed yield schedule be adjusted annually to maintain at least 30 percent state support.**

**4. The legislature should limit the amount of unrestricted state money a district receives per student in any one year.**

This expenditure limitation is included to produce an orderly increase in the amount of money spent by districts which receive large increases under a new state school finance program.

**5. The legislature should enable districts to receive equalization aid adjusted for enrollment fluctuations, such that they would receive credit for 100 percent of enrollment increases, or gradual reductions in state funds due to enrollment decline.**

When a district suffers a decline in student enrollment, many of the costs of providing educational services are difficult to reduce immediately. Buildings have to be heated and maintained. Teachers cannot be released without notice.

**6. The legislature should establish three school finance equalization districts to assist the state in equalizing the ability of districts to support their educational programs.**

The proposed districts would be as follows:

I. Eastern District
  All school districts east of the Cascades.
II. Western District
  All districts west of the Cascades exept those in District III.
III. Metropolitan District
  All districts in Clackamas, Columbia, Multnomah, and Washington Counties.

A uniform tax would be levied throughout each region. The receipts generated from this tax would be distributed to school districts in that region on a per-student basis.

**7. The legislature should establish an amount to be raised by a uniform tax in each regional school finance district.**

The district-wide tax rate would be added to the local school tax rate in determining a district's guarantee under the local guaranteed yield program. A flat grant (of say $363) would be an offset in the state equalization formula, that is subtracted from the amount a district would receive from the state.

**8. The amount raised by the regional equalization districts should be increased annually at a rate equal to the average increase in school expenditures in the state.**

**9. The legislature should require the development of a comprehensive plan to finance special education.**

The plan should include cost analyses of different ways of providing educational services for the handicapped.

**10. The legislature should provide adequate funds to pay for the excess costs of special education services for all handicapped children in the state.**

Excess costs for reimbursing local school districts should be based on the cost estimates produced in the comprehensive plan. It is estimated that $5.9 million would be required in new federal, state and local dollars to meet the needs of all handicapped children in the state. If the state were to assume all of these costs, plus the present local share, the cost to the state would be approximately $16.1 million.

**11. The legislature should provide funds for compensatory education grants scaled to the concentration of eligible disadvantaged students in each district.**

The total number of disadvantaged students served in each school district with these funds should be based on the number of school age children from families receiving welfare payments.

**12. The legislature should increase transportation reimbursement to 75 percent of the previous year's approved costs.**

**13. The legislature should amend the current transportation formula to eliminate any dollar limitation on the depreciation of buses.**

**14. The legislature should direct the State Department of Education to collect information on occupational education programs currently being offered in public schools, IED's, community colleges and proprietary schools and develop a comprehensive plan for occupational education in Oregon.**

**15. The legislature should provide state categorical money as seed money for new occupational education programs at the local level.**

**16. The legislature should continue to provide grants for necessary small schools.**

Due to the sparsity of population in some areas of the state, it is impossible to assemble enough pupils in a single building to have normal-size classes. In these situations the per-pupil costs of providing adequate education services tend to be higher than normal. When small schools are necessary, the committee believes the state should assist the district in meeting the extra costs of keeping them open.

**17. The legislature should request the**

**Department of Education to develop a comprehensive plan on school facilities.**

Under the current school finance system in Oregon, local school districts are responsible for the construction and maintenance of their school facilities. This means that wealthy districts are able to afford better facilities than poor districts. The committee believes the quality of educational facilities affects the learning opportunities of children just as the level of educational expenditure does. A district's ability to finance its school buildings should, therefore, be equalized along with its ability to raise operating expenditures. The plan should take into account the projected growth or decline of student enrollments and the adequacy or obsolescence of existing facilities.

**18. The legislature should enact legislation permitting local school districts to utilize the state's excellent credit rating for local school bond issues.**

**19. The legislature should consider a lease-purchase plan for school construction and remodeling.**

Buildings would be constructed or remodeled for local districts and then leased back to those districts. At the end of a specified period, ownership of the building would revert to the school district.

**20. The State Department of Education should establish a school finance policy unit to utilize the Oregon School Finance Simulation and advise the Superintendent of Public Instruction on matters related to school finance.**

## Appendix

This table shows what the effects of the local guaranteed yield program recommended by the Committee on Equal Educational Opportunity would have been in 1973-74. In this program each district is guaranteed a minimum of $780 per pupil at a $10 school tax rate. The guarantee increases by $50 for each additional dollar of tax up to $16, and $36 for each additional dollar of tax between $16 and $22. Districts are free to tax themselves above $22 but there is no equalization provided beyond that point. The program also calls for a $300 regional equalization district grant. Compensatory education grants of $200 are provided for students from low income families which constitute 5 percent or less of the district's enrollment. Grants of $400 are provided for those constituting from 5 percent to 10 percent; and $600 for those over 10 percent. Transporation costs are reimbursed on the basis of 75 percent of the previous year's approved costs. And districts would receive the same special education grants as under the present formula.

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## TABLE A. LOCAL GUARANTEED YIELD PROGRAM WITH REGIONAL EQUALIZATION/BASIC DATA, 1973-74

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Diff | Total State Rcpt Sim Per AMDW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 482994.41 | 8.05 | 9.66 | 4.64 | 86.96 | 2825.84 |
| Olex No. 11–U | 183985.90 | 39.22 | 14.36 | 2.72 | 253.99 | 1839.64 |
| McKenzie No. 68–U | 171386.42 | 481.05 | 14.98 | 0.03 | 173.46 | 1973.46 |
| Sherman UH No. 1–UH | 108781.04 | 231.40 | 7.67 | 2.44 | 120.91 | 1833.63 |
| Central Linn No. 552–U | 92260.55 | 1085.50 | 16.57 | 2.48 | 91.32 | 1418.08 |
| Harper No. 66–U | 69795.57 | 110.50 | 17.26 | 0.35 | 173.64 | 1274.17 |
| Portland No. 1J–U | 67790.33 | 70290.56 | 13.65 | 0.0 | 332.93 | 1318.53 |
| Reedsport No. 105–U | 67098.49 | 1691.90 | 13.82 | 1.33 | 247.70 | 1244.10 |
| Bend No. 1–U | 51026.99 | 6052.00 | 13.10 | –1.92 | 362.04 | 1200.27 |
| Parkrose No. 3–U | 50635.40 | 5745.77 | 13.71 | –1.21 | 371.62 | 1160.80 |
| Klamath Falls No. 1–E | 47821.37 | 2125.00 | 6.87 | –1.72 | 372.27 | 1250.04 |
| Beaverton No. 48J–U | 47375.79 | 21896.59 | 15.84 | –3.10 | 374.53 | 1273.49 |
| Corvallis No. 509J–U | 45176.89 | 8098.09 | 13.48 | –2.14 | 456.59 | 1531.29 |
| Eugene No. 4J–U | 44446.17 | 22260.29 | 15.32 | –3.87 | 443.73 | 1270.36 |
| Lake Oswego No. 7J–U | 43765.06 | 7066.59 | 13.78 | –3.42 | 377.35 | 1368.60 |
| Salem No. 24J–U | 43066.86 | 24494.19 | 12.88 | –4.04 | 422.00 | 1232.47 |
| Hood River No. 1–U | 42828.28 | 3465.07 | 14.70 | –3.47 | 379.71 | 1416.46 |
| Burns UH No. 2–UH | 42114.67 | 653.90 | 7.47 | 0.57 | 374.15 | 1359.73 |
| Medford No. 549–U | 41992.99 | 10882.59 | 12.35 | –2.91 | 392.64 | 1017.98 |
| Oregon City No. 62–U | 41538.87 | 6538.50 | 11.35 | –2.83 | 396.63 | 1026.58 |
| Pendleton No. 16R–U | 41392.41 | 4006.92 | 14.22 | –4.23 | 389.10 | 1103.48 |
| Coos Bay No. 9–U | 40373.96 | 6584.40 | 14.76 | –4.46 | 489.17 | 1207.03 |
| Springfield No. 19–U | 39700.19 | 10889.84 | 14.72 | –3.74 | 461.97 | 1232.33 |
| Astoria No. 1–U | 39190.44 | 2220.00 | 14.09 | 1.13 | 435.06 | 1438.43 |
| Ashland No. 5–U | 38423.11 | 3235.00 | 13.14 | –3.29 | 428.18 | 1138.14 |
| Falls City No. 57–U | 38109.75 | 218.00 | 11.27 | –2.86 | 537.90 | 1380.86 |
| Baker No. 5J–U | 37152.90 | 3086.30 | 10.94 | 0.17 | 369.38 | 1104.35 |
| North Bend No. 13–U | 36728.62 | 3751.30 | 14.31 | –3.91 | 501.13 | 1226.76 |
| Redmond No. 2J–U | 36175.75 | 3380.60 | 13.93 | –3.99 | 459.23 | 1246.63 |
| Gresham No. 4–E | 35476.60 | 3400.00 | 9.48 | –1.72 | 501.30 | 1283.21 |
| Ninety-One No. 91–E | 32226.50 | 400.00 | 6.43 | –0.35 | 427.27 | 1093.46 |
| Creswell No. 40–U | 30679.12 | 1092.40 | 12.91 | –1.81 | 495.38 | 1170.81 |
| Hermiston No. 8–U | 26479.96 | 2790.80 | 15.08 | –1.48 | 508.81 | 1167.14 |
| Scio No. 95C–U | 25369.02 | 923.10 | 10.71 | 0.92 | 457.45 | 1005.12 |
| Reedville No. 29–E | 24810.24 | 875.00 | 5.20 | –2.58 | 445.24 | 1029.89 |
| South Umpqua No. 19–U | 24564.82 | 2554.00 | 10.74 | 2.16 | 427.83 | 1149.08 |
| Oak Grove No. 4–E | 23904.33 | 200.00 | 6.88 | –2.27 | 474.51 | 1082.86 |
| Cascade UH No. 5–UH | 23627.67 | 1330.00 | 8.02 | –1.27 | 580.28 | 1255.75 |
| **Total or mean** | **47621.84** | **516233.45** | | | **393.84** | **1247.44** |

**Present Year Adj TCV Per ADMW** is the amount of assessed property value for each weighted student in the district.

**Weighted ADM Simulated** is the number of weighted pupils. Primary students count as 1 and high school students count as 1.3.

**Tot Oper Tax Rate Sim** is the tax rate required under this program to maintain the same level of spendable receipts as under the current state school finance formula.

**Oper Tax Rate Diff** is the difference in school tax rate than under the current system.

**Total State Rcpt Sim Per ADMW** is the amount of state money a district receives per weighted student.

**Tot Receipts Simulated Per ADMW** is the total amount of spendable dollars from all sources that a district has to spend per weighted student.

## TABLE B. LOCAL GUARANTEED YIELD PROGRAM WITH REGIONAL EQUALIZATION/RECEIPTS, 1973-74

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 83.85 | 437.76 | 2301.12 | –1548.77 |
| Olex No. 11–U | 0.0 | 0.0 | 250.85 | 326.56 | 1259.10 | –6364.83 |
| McKenzie No. 68–U | 0.0 | 63.54 | 105.50 | 359.37 | 1352.04 | –46559.45 |
| Sherman UH No. 1–UH | 0.0 | 9.36 | 108.29 | 313.73 | 1396.87 | –36976.75 |
| Central Linn No. 552–U | 0.0 | 24.22 | 63.59 | 335.22 | 946.29 | –162299.56 |
| Harper No. 66–U | 99.80 | 0.0 | 70.35 | 311.76 | 777.00 | –9040.36 |
| Portland No. 1J–U | 190.56 | 121.42 | 16.65 | 322.18 | 565.55 | 4726687.00 |
| Reedsport No. 105–U | 205.44 | 10.10 | 28.67 | 411.11 | 574.42 | 23486.50 |
| Bend No. 1–U | 316.62 | 12.10 | 30.10 | 331.05 | 462.40 | 793935.81 |
| Parkrose No. 3–U | 332.53 | 16.35 | 18.60 | 314.71 | 452.96 | 600383.06 |
| Klamath Falls No. 1–E | 268.94 | 83.58 | 15.09 | 368.24 | 445.86 | 298352.31 |
| Beaverton No. 48J–U | 336.18 | 10.24 | 24.64 | 308.22 | 582.07 | 2976384.00 |
| Corvallis No. 509J–U | 380.66 | 39.09 | 33.27 | 314.65 | 737.65 | 1309927.00 |
| Eugene No. 4J–U | 389.34 | 39.52 | 11.12 | 359.79 | 444.45 | 4531175.00 |
| Lake Oswego No. 7J–U | 337.91 | 13.87 | 22.07 | 316.70 | 666.49 | 778312.44 |
| Salem No. 24J–U | 363.35 | 34.33 | 20.42 | 328.75 | 420.36 | 3751467.00 |
| Hood River No. 1–U | 309.17 | 18.41 | 48.42 | 375.65 | 619.88 | 468703.06 |
| Burns UH No. 2–UH | 331.44 | 4.62 | 35.80 | 352.94 | 615.18 | 93587.44 |
| Medford No. 549–U | 351.16 | 18.93 | 18.84 | 324.66 | 280.37 | 1333081.00 |
| Oregon City No. 62–U | 350.70 | 15.72 | 27.09 | 313.00 | 303.19 | 493746.75 |
| Pendleton No. 16R–U | 336.56 | 13.08 | 35.71 | 318.25 | 369.18 | 446410.75 |
| Coos Bay No. 9–U | 407.40 | 43.04 | 35.01 | 323.24 | 359.03 | 1230706.00 |
| Springfield No. 19–U | 402.61 | 32.50 | 23.15 | 359.04 | 373.00 | 2059650.00 |
| Astoria No. 1–U | 383.53 | 21.20 | 26.30 | 312.84 | 642.70 | 282749.00 |
| Ashland No. 5–U | 375.01 | 35.60 | 13.98 | 323.94 | 373.55 | 347263.00 |
| Falls City No. 57–U | 401.14 | 101.31 | 31.68 | 307.80 | 503.05 | 23933.11 |
| Baker No. 5J–U | 316.68 | 25.27 | 23.83 | 336.96 | 359.54 | 205777.75 |
| North Bend No. 13–U | 443.43 | 26.15 | 27.94 | 319.99 | 359.87 | 488455.75 |
| Redmond No. 2J–U | 412.37 | 12.99 | 30.63 | 329.58 | 424.69 | 407303.88 |
| Gresham No. 4–E | 454.46 | 12.78 | 30.84 | 306.47 | 464.27 | 451495.25 |
| Ninety-One No. 91–E | 374.36 | 2.27 | 47.14 | 317.50 | 317.44 | –2820.90 |
| Creswell No. 40–U | 403.83 | 56.70 | 31.07 | 355.86 | 265.95 | 88348.88 |
| Hermiston No. 8–U | 463.83 | 12.12 | 29.74 | 315.01 | 273.63 | 200981.38 |
| Scio No. 95C–U | 375.20 | 31.40 | 47.68 | 335.33 | 164.00 | 33717.56 |
| Reedville No. 29–E | 410.40 | 6.21 | 25.42 | 314.06 | 253.29 | –937.28 |
| South Umpqua No. 19–U | 367.00 | 27.10 | 30.12 | 414.48 | 209.18 | –43397.51 |
| Oak Grove No. 4–E | 443.67 | 1.09 | 27.00 | 311.04 | 208.81 | 25832.98 |
| Cascade UH No. 5–UH | 509.66 | 24.82 | 42.43 | 314.06 | 306.52 | 156082.75 |
| **Total or Mean** | **320.99** | **39.45** | **29.61** | **331.41** | **483.28** | **51675267.49** |

This table provides additional information on district receipts for the same program in Table A.

**State LGY Equaliz Sim Per ADMW** is the amount of equalization money a district receives per pupil under the local guaranteed yield program.

**Instr Categ Rcpt Sim Per ADMW** is the amount of categorical money a district receives from the state per pupil for special education and compensatory education programs.

**Transport Rcpt Sim Per ADMW** is the amount of state reimbursement for transportation costs of the previous year.

**Tot Intermed Receipts Sim Per ADMW** is the sum of the regional equalization grants and IED and County School Fund receipts.

**Total Local Receipts Sim Per ADMW** is the amount raised locally per pupil from local school tax rate.

**Total State Rcpt Diff** is the change in total state receipts a district would receive in comparison to the present formula.

## TABLE C. LOCAL GUARANTEED YIELD PROGRAM WITH REGIONAL EQUALIZATION/BASIC DATA; 1975-76

| Sample Districts | Present Year Adj TCV Per ADMW | Weighted ADM Simulated | Tot Oper Tax Rate Sim | Oper Tax Rate Diff | Total State Rcpt Sim Per ADMW | Tot Receipts Simulated Per ADMW |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 998797.73 | 4.30 | 9.07 | 4.05 | 112.16 | 3658.11 |
| Olex No. 11–U | 218503.47 | 31.60 | 14.36 | 2.72 | 289.13 | 2093.77 |
| McKenzie No. 68–U | 173457.20 | 517.20 | 16.23 | 1.28 | 202.93 | 2305.27 |
| Sherman UH No. 1–UH | 129501.75 | 216.12 | 7.79 | 2.56 | 144.00 | 2188.63 |
| Central Linn No. 552–U | 126593.33 | 1093.60 | 15.87 | 1.78 | 109.82 | 1704.26 |
| Harper No. 66–U | 99061.38 | 84.12 | 16.90 | –0.01 | 86.36 | 1496.50 |
| Portland No. 1J–U | 85670.61 | 68469.88 | 13.74 | 0.09 | 355.08 | 1552.69 |
| Reedsport No. 105–U | 77624.43 | 1688.07 | 14.17 | 1.68 | 312.64 | 1469.48 |
| Parkrose No. 3–U | 64683.88 | 5350.72 | 14.19 | –0.73 | 379.22 | 1379.05 |
| Bend No. 1–U | 64683.24 | 6224.60 | 13.53 | –1.49 | 426.38 | 1426.19 |
| Beaverton No. 48J–U | 60450.00 | 22036.69 | 16.06 | –2.88 | 416.11 | 1515.42 |
| Corvallis No. 509J–U | 58490.84 | 7732.67 | 19.58 | –1.04 | 481.48 | 1823.21 |
| Klamath Falls No. 1–E | 56828.06 | 2113.75 | 6.60 | –1.99 | 492.51 | 1429.58 |
| Eugene No. 4J–U | 56504.62 | 21164.12 | 15.52 | –3.67 | 515.47 | 1499.71 |
| Lake Oswego No. 7J– | 55681.56 | 7113.30 | 14.16 | –3.04 | 441.44 | 1611.81 |
| Salem No. 24J–U | 55664.24 | 23500.34 | 12.93 | –3.99 | 512.55 | 1459.22 |
| Oregon City No. 62–U | 53195.51 | 6443.60 | 11.53 | –2.65 | 454.30 | 1224.89 |
| Hood River No. 1–UH | 51379.79 | 3482.70 | 14.92 | –3.25 | 494.75 | 1664.77 |
| Falls City No. 57–U | 50957.97 | 186.20 | 10.98 | –3.15 | 609.09 | 1580.06 |
| Springfield No. 19–U | 50460.07 | 10800.60 | 14.89 | –3.57 | 563.22 | 1468.37 |
| Pendleton No. 16R–U | 49539.15 | 3781.37 | 13.85 | –4.60 | 498.88 | 1304.71 |
| Burns UH No. 2–UH | 49373.90 | 653.90 | 7.64 | 0.74 | 495.12 | 1634.54 |
| Medford No. 549–U | 49347.61 | 11063.89 | 12.21 | –3.05 | 501.90 | 1216.97 |
| Ashland No. 5–U | 49009.01 | 3215.30 | 12.91 | –3.52 | 531.43 | 1351.65 |
| Coos Bay No. 9–U | 46530.49 | 6676.89 | 14.75 | –4.47 | 609.15 | 1429.67 |
| North Bend No. 13–U | 44240.08 | 3631.90 | 15.15 | –3.07 | 609.19 | 1488.96 |
| Baker No. 5J–U | 42739.09 | 3090.60 | 10.94 | 0.17 | 499.62 | 1315.74 |
| Astoria No. 1–U | 42648.31 | 2449.17 | 14.17 | 1.21 | 572.91 | 1636.26 |
| Ninety-One No. 91–E | 40954.11 | 391.00 | 6.43 | –0.35 | 504.61 | 1278.59 |
| Creswell No. 40–U | 38487.66 | 1080.12 | 12.90 | –1.82 | 602.00 | 1380.49 |
| Redmond No. 2J–U | 37274.75 | 4030.80 | 14.12 | –3.80 | 609.49 | 1450.36 |
| Gresham No. 4–E | 36544.82 | 4222.00 | 9.72 | –1.48 | 648.27 | 1504.13 |
| Hermiston No. 8–U | 35651.69 | 2571.42 | 14.82 | –1.74 | 610.72 | 1383.50 |
| Oak Grove No. 4–E | 33531.54 | 190.00 | 6.94 | –2.21 | 575.08 | 1300.53 |
| Scio No. 95C–U | 32163.92 | 934.40 | 10.71 | 0.92 | 585.24 | 1215.49 |
| Reedville No. 29–E | 31965.48 | 902.00 | 5.14 | –2.64 | 537.58 | 1216.60 |
| South Umpqua No. 19–U | 29030.77 | 2632.20 | 10.74 | 2.16 | 552.17 | 1345.40 |
| Cascade UH No. 5–UH | 27407.76 | 1425.80 | 7.96 | –1.33 | 727.32 | 1481.55 |
| **Total or Mean** | **58855.22** | **512947.67** | | | **468.91** | **1477.42** |

This table shows the results of the same program described in Table A but in 1975-76. The local guaranteed yield schedule has been increased in proportion to the expected increase in educational costs. Districts are now guaranteed $980 per pupil at a $10 school tax rate. The guarantee increases by $57.50 for each additional dollar of tax up to $16, and by $36 for each additional dollar of tax between $16 and $22. Districts are again free to tax above the $22 level. The regional equalization district grants have been increased to $363, and the compensatory education grants to $242, $484 and $726 for concentrations of disadvantaged students constituting 5 percent, 5 percent to 10 percent, and above 10 percent respectively. Transportation reimbursement and special education grants are likewise increased in proportion to the expected growth in educational costs.

The table entries are the same as those explained in Table A.

## TABLE D. LOCAL GUARANTEED YIELD PROGRAM WITH REGIONAL EQUALIZATION/RECEIPTS, 1975-76

| Sample Districts | State LGY Equaliz Sim Per ADMW | Instr Categ Rcpt Sim Per ADMW | Transport Rcpt Sim Per ADMW | Tot Intermed Receipts Sim Per ADMW | Total Local Receipts Sim Per ADMW | Total State Rcpt Diff |
|---|---|---|---|---|---|---|
| Plush No. 18–U | 0.0 | 0.0 | 108.84 | 510.37 | 3035.58 | –1766.48 |
| Olex No. 11–U | 0.0 | 0.0 | 286.19 | 387.93 | 1416.70 | –7189.68 |
| McKenzie No. 68–U | 0.0 | 74.54 | 124.10 | 420.56 | 1595.90 | –25048.56 |
| Sherman UH No. 1–UH | 0.0 | 11.17 | 129.61 | 376.55 | 1665.99 | –33833.26 |
| Central Linn No. 552–U | 0.0 | 29.26 | 77.05 | 398.17 | 1151.08 | –141325.56 |
| Harper No. 66–U | 0.0 | 0.0 | 82.97 | 374.46 | 1024.24 | –20962.62 |
| Portland No. 1J–U | 186.09 | 144.84 | 19.92 | 384.86 | 716.25 | 5637752.00 |
| Reedsport No. 105–U | 262.72 | 12.08 | 34.39 | 472.83 | 673.25 | 132156.13 |
| Parkrose No. 3–U | 333.23 | 19.57 | 22.32 | 377.54 | 601.01 | 494202.13 |
| Bend No. 1–U | 371.97 | 14.65 | 36.54 | 394.07 | 560.94 | 1256925.00 |
| Beaverton No. 48J–U | 370.39 | 12.38 | 29.88 | 371.22 | 719.42 | 3945245.00 |
| Corvallis No. 509J–U | 390.40 | 47.22 | 40.30 | 377.62 | 941.75 | 1335536.00 |
| Klamath Falls No. 1–E | 373.21 | 97.22 | 17.60 | 428.60 | 447.27 | 548313.63 |
| Eugene No. 4J–U | 451.46 | 47.05 | 13.28 | 421.83 | 540.38 | 5563114.00 |
| Lake Oswego No. 7J– | 394.64 | 16.69 | 26.64 | 379.61 | 782.74 | 1251783.00 |
| Salem No. 24J–U | 442.63 | 41.37 | 24.67 | 391.63 | 493.93 | 5460055.00 |
| Oregon City No. 62–U | 399.16 | 19.07 | 32.95 | 376.03 | 380.76 | 827689.44 |
| Hood River No. 1–UH | 411.17 | 21.98 | 57.94 | 437.61 | 691.75 | 876041.31 |
| Falls City No. 57–U | 456.66 | 113.38 | 35.56 | 370.21 | 571.06 | 20082.37 |
| Springfield No. 19–U | 492.07 | 39.33 | 28.10 | 422.06 | 444.76 | 3111950.00 |
| Pendleton No. 16R–U | 436.95 | 15.58 | 42.66 | 380.96 | 398.33 | 773776.38 |
| Burns UH No. 2–UH | 443.80 | 5.59 | 43.44 | 415.94 | 706.03 | 172689.94 |
| Medford No. 549–U | 452.48 | 22.88 | 22.83 | 387.63 | 307.14 | 2613114.00 |
| Ashland No. 5–U | 468.24 | 42.78 | 16.85 | 386.77 | 421.07 | 670792.13 |
| Coos Bay No. 9–U | 511.74 | 51.62 | 42.09 | 386.03 | 399.22 | 2077000.00 |
| North Bend No. 13–U | 538.80 | 32.21 | 34.52 | 383.35 | 449.82 | 821111.44 |
| Baker No. 5J–U | 436.51 | 30.59 | 28.92 | 399.96 | 377.69 | 612867.13 |
| Astoria No. 1–U | 513.48 | 24.76 | 30.79 | 375.39 | 641.79 | 720085.44 |
| Ninety-One No. 91–E | 441.18 | 2.74 | 57.20 | 380.50 | 362.22 | 23574.92 |
| Creswell No. 40–U | 492.90 | 68.00 | 37.36 | 418.37 | 306.98 | 19743.75 |
| Redmond No. 2J–U | 553.79 | 15.60 | 36.89 | 392.36 | 415.63 | 1311573.00 |
| Gresham No. 4–E | 592.16 | 15.47 | 37.42 | 369.47 | 475.22 | 1484049.00 |
| Hermiston No. 8–U | 557.08 | 14.60 | 35.93 | 377.95 | 325.45 | 351419.13 |
| Oak Grove No. 4–E | 538.25 | 1.31 | 32.76 | 374.04 | 262.91 | 40196.80 |
| Scio No. 95C–U | 486.15 | 38.03 | 57.90 | 398.36 | 183.50 | 158296.44 |
| Reedville No. 29–E | 496.01 | 7.52 | 30.84 | 377.06 | 284.66 | 94373.81 |
| South Umpqua No. 19–U | 479.50 | 32.67 | 36.41 | 477.05 | 218.95 | 317363.75 |
| Cascade UH No. 5–UH | 642.76 | 29.92 | 51.29 | 377.01 | 322.55 | 421328.06 |
| **Total or Mean** | **382.43** | **46.94** | **35.76** | **394.17** | **576.03** | **88884725.29** |

This table provides data on district receipts under the local guaranteed yield program described in Table C. The table entries are the same as those explained under Table B.

The information contained in Tables A–D is also available from the committee staff for every year between 1973-74 and 1978-79 and for every school district in the state. The staff can also provide the enrollment projections and true cash value predictions for every district upon which the data in these tables are computed.

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## AN EXPLANATION OF HOW THE COMMITTEE ON EQUAL EDUCATIONAL OPPORTUNITY'S PROPOSAL WORKS, USING PORTLAND SCHOOL DISTRICT AS AN EXAMPLE

| | | |
|---|---|---|
| A. ADMW | | |
| 72-73 ADMW | 70,721.7 | |
| 73-74 ADMW | 68,997.4 | |
| decline x .75 | 1,293.16 | |
| Net ADMW | 70,290.56 | |
| **B. Simulated restricted receipts** | **Total** | **Per ADMW** |
| Federal, except PL874 (same as 73-74) | $ 6,879,483 | $ 97.87 |
| Transportation (.75 x 73-74 reimbursable costs) | 1,170,338 | 16.65 |
| Special Education (same as 73-74) | 3,128,491 | 44.51 |
| Total restricted receipts | 11,178,312 | 159.03 |
| **C. 1973-74 Unrestricted receipts** | | |
| PL874 | 0 | 0 |
| BSSF, excluding transportation | 14,908,716 | 212.10 |
| Common School Fund | 301,790 | 4.29 |
| Total intermediate receipts | 17,089,761 | 243.13 |
| Local levy | 40,727,712 | 579.42 |
| Local other receipts | 8,473,579 | 120.55 |
| Total unrestricted receipts | 81,501,558 | 1,159.50 |
| **D. Total to be maintained** | **92,679,870** | **1,318.53** |
| **E. Instructional categorical receipts** | | |
| Special Education (same as actual 73-74) | 3,128,491 | 44.51 |
| Compensatory education: | | |
| $200x1st 5% of ADM | 655,300 | 9.32 |
| $400x2nd 5% of ADM | 1,310,600 | 18.65 |
| $600xover 10% of ADM | 3,440,147 | 48.94 |
| Total instructional categorical | 8,534,538 | 121.42 |
| **F. Computation of amount required to balance the budget from LGY receipts plus local taxes if 1973-74 unrestricted receipts are to be maintained** | **Total** | **Per ADMW** |
| 1973-74 unrestricted receipts | $ 81,501,558 | 1,159.50 |
| Less simulated unrestricted receipts except LGY and local taxes: | | |
| PL874 | 0 | 0 |
| Common School Fund | 301,790 | 4.29 |
| Intermediate, excluding IED equalizing | 1,558,900 | 22.18 |
| Regional equalizing at $300 per ADMW | 21,087,168 | 300.00 |
| Local, excluding taxes | 8,473,579 | 120.55 |
| Compensatory education receipts | 5,406,047 | 76.91 |
| Amount required to balance budget | 44,674,074 | 635.56 |

**G. Computation of necessary tax rate**

1. Amount required to balance = LGY receipts + local tax receipts.
2. LGY receipts = LGY guarantee – local effort – offsets
3. LGY guarantee = ADMW x guarantee per ADMW = ADMW x (guarantee at 10 mills + slope x (local rate + regional rate – 10 mills)).
4. Local effort = .001 x local rate x previous year's TCV
5. Offsets = PL874 + federal forest funds + common school fund + regional equalization
6. Local tax receipts = .001 x local rate x budget year TCV – adjustment*

*This adjustment is the net estimated reduction in tax receipts as a result of defaults and back taxes paid.

Substituting 3,4,5, and 6 in 1 and solving for local rate, we get:

Local rate = {Amount required to balance – [guarantee at 10 mills + slope x (regional rate – 10 mills)] x ADMW + PL874 + federal forest funds + common school fund + regional equalization + levy adjustment} ÷ {.001 x (budget year TCV – previous year's TCV) + slope x ADMW}.

For Portland, this is:

$$\text{Local rate} = \{44{,}674{,}074 - [780 + 50 \times (5.8696 - 10)] \times 70{,}290.56 + 0 + 0 + 301{,}790 + 21{,}087{,}168 + 1{,}728{,}639\} \div \{.001 \times (4{,}765{,}022{,}597 - 4{,}312{,}373{,}000) + 50 \times 70{,}290.56\}.$$

solving local rate = 6.9272.

**H. Simulated tax rates**

| | |
|---|---|
| Local operating rate | 6.9272 |
| Regional equalization rate | 5.8696 |
| LGY guarantee rate | 12.7968 |
| County school fund rate | .25 |
| IED operating rate | .59 |
| Total rate | 13.6468 |

(1973-74 total rate was 13.65)

**I. LGY guarantee level**

Guarantee per ADMW = 780 + 50 × (12.7968 − 10) = 919.84

Total guarantee = 919.84 × ADMW = 64,656,069

| **J. LGY calculation** | **Total** | **Per ADMW** |
|---|---|---|
| Guarantee | 64,656,069 | 919.84 |
| Less: | | |
| Local effort (local rate x previous year's TCV) | 29,872,670 | 424.99 |
| Regional equalization | 21,087,168 | 300.00 |
| PL874 | 0 | 0 |
| Federal forest funds | 0 | 0 |
| Common school fund | 301,790 | 4.29 |
| Net LGY receipts | 13,394,441 | 190.56 |
| **K. Local taxes** | | |
| Local rate x budget year TCV | 33,008,265 | 469.60 |
| Less levy adjustment | 1,728,639 | 24.59 |
| Net local taxes | 31,279,626 | 445.01 |
| Note that the sum of LGY receipts and local taxes is: | 44,674,067 | 635.56 |

and that this is the amount required to balance the budget, as shown in section E.

| **L. Summary of Receipts** | **Simulated** | | **Actual 1973-74** | |
|---|---|---|---|---|
| | **Total** | **Per ADMW** | **Total** | **Per ADMW** |
| **Federal** | 6,879,483 | 97.87 | 6,879,483 | 97.87 |
| **State** | | | | |
| Instruc. categ. | 8,534,538 | 121.42 | 3,128,491 | 44.51 |
| Transportation | 1,170,338 | 16.65 | 335.808 | 4.78 |
| LGY | 13,394,441 | 190.56 | — | — |
| BSSF (excluding transportation) | — | — | 14,908,716 | 212.10 |
| Common school fund | 301,790 | 4.29 | 301,790 | 4.29 |
| **Total state** | **23,401,102** | **332.92** | **18.674,805** | **265.68** |
| **Intermediate** | | | | |
| Regional equal. | 21,087,168 | 300.00 | — | — |
| IED equalization | — | — | 15,530,861 | 220.95 |
| County School fund | 850,000 | 12.09 | 850,000 | 12.09 |
| Misc. intermed. | 708,900 | 10.09 | 708,900 | 10.09 |
| **Total intermed** | **22,646,068** | **322.18** | **17,089,761** | **243.13** |
| **Local** | | | | |
| Taxes | 31,279,626 | 445.00 | 40,727,712 | 579.42 |
| Other local | 8,473,579 | 120.55 | 8,473,579 | 120.55 |
| **Total local** | **39,753,205** | **565.56** | **49,201,291** | **699.97** |
| **Total receipts** | **92,679,863** | **1,318.53** | **91,845,340** | **1,306.97** |

The difference in total receipts results from the increase in restricted transportation receipts.

# GLOSSARY

**Available Wealth Equalization Plan**, see description in chapter 4.

**Average Daily Membership (ADM)**—is a term used in school finance to define the total number of pupils enrolled during the school year. ADMW or ADMR is shorthand for "weighted resident pupils in average daily membership." In Oregon, ADMW is calculated by counting each pupil in grades 1-8 as 1 pupil, each pupil in grades 9-12 as 1.3 pupils, and each pupil in kindergarten as .5 pupils. ADMW also reflects adjustments for enrollment growth and decline. The ADM is "weighted" to reflect the assumed cost differences of providing education or services to different categories of pupils.

**Average Daily Membership, Weighted (ADMW)**—see Average Daily Membership and Weighting.

**Basic School Support Fund (BSSF)**—is a fund established by initiative for the purpose of improvement and support of standard public elementary and secondary schools in Oregon. By law, the BSSF is to be used to equalize educational opportunity and improve the standards of public elementary and secondary education. In 1973-74 this fund accounted for about 94 percent of state aid to local school districts. The BSSF is apportioned through the following five accounts: 1. transportation grants, 2. equalization grants, 3. flat grants, 4. enrollment growth grants and 5. enrollment decline grants.

**Capital Outlay**—according to Oregon law, capital outlay means any expenditure by a school district for materials of any sort (except replacements) which increase the value of the school plant or equipment.

**Categorical Aid**—refers to federal or state monies allocated to local districts for specific purposes. Examples of categorical aid disbursements in Oregon include transportation grants, special education reimbursements and compensatory education funds.

**Contributing District**—refers to the situation under equalization levies in which taxpayers within a school district pay more than the district receives from a per pupil allocation. For example, the IED equalization levy may require district A to contribute the equilavent of $250 per ADMW. However because the total amount of money available for equalization grants is based upon the total amount of funds raised throughout the IED, and because the distribution is on an ADMW basis for the entire IED, district A may receive less than the $250 per ADMW it raised.

**Creswell Case**—Oregon school finance case (Shauna Olsen et al. v. State of Oregon et al. Lane County Circuit Court—Case No. 72 0569). See Serrano for further details.

**Current Operating Expenditures**—equals net operating expenditures plus approved expenditures for transportation. (See Net Operating Expenditures.)

**District Power Equalizing Plan**—see Local Guaranteed Yield Plan.

**Equalization**—is the attempt to provide more funds to districts with a low true cash value per ADMW compared to other districts. The degree of equalization depends on the amount of money provided for equalization. Equalization does not refer to the disparity in per pupil spending between districts.

**Fiscal Capacity**—refers to the variation in true cash value (TCV) per weighted average daily membership (ADMW) between school districts. Districts with higher TCV per ADMW are said to have greater fiscal capacity.

**Fiscal Neutrality**—is a court-defined standard in school finance (frequently referred to as the Serrano criterion). This concept means that the educational resources provided a child should not be a function of the wealth of the school district where he or she happens to live. It does not mean that per pupil expenditures must be equal; it simply means that differences cannot be related to local school district wealth.

**Flat Grants**—are a form of state aid to local school districts. Under a flat grant system the state determines either the total amount it wants to make available for flat grants or the amount of money it wishes to provide for each student. The money is then distributed on a per pupil basis to school districts throughout the state. About 75 percent of Oregon's state aid was in the form of flat grants in 1973-74.

**Foundation Level**—refers to the level of per pupil expenditures that the state has determined is necessary to provide each child with a basic education program. This level of expenditures may or may not be based on a current analysis of educational program needs.

**Foundation Phase-In Plan**—see description in chapter 4.

**General Aid**—describes funds that are allocated to local school districts to be used for any educational purpose. In Oregon, the flat grant program, is an example of general aid.

**Intermediate Education Districts (IEDs)**—were established by the Oregon legislature to replace the rural school district and provide professional educational services and facilities. An intermediate education district was established in each county with more than one school district. (The single exception is Linn and Benton counties which constitute one IED.) One of the major functions of an IED is levying an equalization tax for the school districts within its boundaries. Basically, a uniform tax is levied on all property throughout the IED and the resulting money is distributed to the individual school districts within the IED on an average daily membership basis. The net effect of this IED equalization levy is to raise money where property wealth is greatest and distribute money to districts with the most pupils.

**Levy**—the legally authorized imposition or assessment of a tax on property.

**Local Guaranteed Yield Plan (LGY)**—refers to one method of equalizing the fiscal capacity of school districts. Under such plans the state establishes a schedule showing the tax effort (tax rate) required of all districts to support various levels of expenditures per pupil. Each district may then choose the amount it wishes to spend educating each of its students, and the state schedule determines the required tax rate for that expenditure level. If local property taxes generate less revenue per student at the required tax rate than the state schedule guarantees, the state makes up the difference. On the other hand, if local property taxes produce more than the guaranteed amount at the required rate, the district may be required to turn the surplus over to the state for distribution to poorer districts. This latter provision, referred to as recapture, is optional. The local guaranteed yield plan is also referred to as district power equalizing, percentage equalizing or the guaranteed tax base plan. For a more detailed description see chapter 4.

**Local Tax Effort**—refers to the tax rate that a locality chooses to impose upon itself. A high tax rate implies a high local tax effort.

**Municipal Overburden**—describes the problem arising from the numerous demands for noneducational services in cities. Presumably, higher per-capita expenditures for noneducational services (e.g., police, transportation, recreation) leave fewer dollars available for public education. As a result, many authorities argue that some special provision should be made for localities experiencing this problem.

**Net Operating Expenditures**—are the total expenditures of a school district for administration, instruction, attendance and health services, operation of plant, maintenance of plant and fixed charges. It does not include building reserves, capital outlay or debt service. (See Current Operating Expenditures.)

**Offset**—partially determines the amount of state equalization aid granted to a particular school district. Any local, state or federal monies available to a school district are subtracted (or "offset") from the state guarantee (the basic program amount) in computing state equalization aid. Federal forest fees, state flat grants and common school fund receipts are "offsets" under the present system of state equalization aid in Oregon.

**Olsen v. State of Oregon**—Oregon school finance case (Olsen v. State of Oregon, Lane County Circuit Court – Case No. 72 0569). Also known as the "Creswell Case." See Serrano for further details.

**Recapture**—an optional provision of local guaranteed yield (LGY) or district power equalizing (DPE) school finance schemes. Recapture occurs when the state claims any revenue raised by a school district in excess of the amount guaranteed by the state at a given tax rate. Recaptured funds are then redistributed to poorer school districts as part of state equalization aid.

**Receiving District**—is a school district which receives more revenue on a per pupil basis under an equalization levy than was generated by taxing property within the district. For example, an IED equalization levy may raise the equivalent of $150 per ADMW in a property-poor school district. However, because the money available for equalization grants is based upon the total amount raised throughout the IED, and distribution is on a per pupil basis, a property-poor district with a large number of school-age children may receive more than $150 per ADMW in IED equalization funds.

**Restricted Funding**—refers to federal, state or local monies which must be used by a local school district for a designated purpose. Some categorical school aid programs are examples of restricted funding.

**Save Harmless Guarantee**—is a provision included in some local guaranteed yield plans. When a state first adopts an LGY plan, some districts may find that with the same tax effort they were making under the former plan the LGY plan yields them less dollars. Relatively wealthy districts will be in this position if the LGY plan contains a recapture provision. In such cases, the state may allow the district to keep as much money as it was spending previously, or gradually phase in the LGY schedule by recapturing only a percentage of what could be taken away. This approach is referred to as a Save Harmless Guarantee.

**Serrano**—California school finance case (John Serrano, Jr. et al. v. Ivy Baker Priest, 483 P. 2d 1241, 1244 Cal. 1971). The California Supreme Court's decision in this case in August 1971 was the first judicial pronouncement on fiscal neutrality as a constitutional principle. The court ruled that if the plaintiffs' claims were proved the California system for funding public schools was unconstitutional under both the United States and California constitutions. In the words of the court:

"We have determined that [the California] funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors." (96 Cal. Rptr. at 604, 487 P. 2d at 1244.)

The California Supreme Court then returned the case to the trial court to examine the plaintiffs' claims. On April 6, 1974 the trial court issued a 106 page decision in which it found the claims to be proven. The trial court declared the California school finance system unconstitutional (despite the changes that had been made in the system after the Supreme Court's ruling) and gave the state six years to correct the system's inequities. The trial court's decision will probably be appealed again to the California Supreme Court.

Oregon's "Creswell Case" (Shauna Olsen v. State of Oregon, Lane County Circuit Court Case No. 72 0569) basically deals with the same problems addressed in the Serrano case.

**Total Tax Effort Equalization Plan**—see description in chapter 4.

**True Cash Value (TCV)**—is the market value of property as determined by the county assessor and adjusted by the county and state. Property taxes are based on the TCV of property (i.e., the tax rate is expressed as so many dollars per $1,000 of TCV). School district wealth is expressed as TCV per ADMW, which means that there is x dollars worth of property for each weighted pupil in the district. For example, if a district contains property with a TCV of $100,000 and has a total student enrollment of 5 ADMW, TCV/ADMW for the district is $20,000.

**Unrestricted Funding**—see General Aid.

**Weighting**—is a method of adjusting school enrollment figures to reflect the assumed cost differences of providing educational services to certain classes of students. A base group of students is first assigned a weight of one and then the cost of educating other groups of students is expressed in comparison to the base group. In Oregon, for example, normal pupils in grades 1-8 have a weight of 1.0, while kindergarteners have a weight of .5 (since they attend school for only one-half of each school day). Handicapped students and vocational students are examples of groups that generally have a weight greater than 1.0.

## FOOTNOTES

## Chapter 1.

[1] For an analysis of the McCall plan and its defeat in a public referendum, see Lawrence C. Pierce, "The Politics of School Finance Reform in Oregon," in *Rethinking Educational Finance*, ed. James A. Kelly (San Francisco, Calif.: Jossey-Bass Inc., Publishers, 1973), pp. 113-131.

[2] A fascinating analysis of the defeat of the sales tax referendum is found in Richard Lucier, "The Oregon Tax Substitution Referendum: The Prediction of Voting Behavior," *National Tax Journal* 24, no. 1 (March 1971): 87-90. The best analysis of property tax limitation referenda is presented in Ralph E. Miner, "The Political Bases of Property Taxation: A Study and Analysis of Tax Preferences and Political Action." (Ph.D. dissertation, University of Oregon, 1971).

[3] In September, 1973, a case was heard in Lane County Circuit Court challenging the constitutionality under the Oregon Constitution of the state's system of financing public education. Plaintiffs in the case, known as *Shauna Olsen, et al., v. State of Oregon, et al.*, or "the Creswell case," were seeking a declaratory judgment that the school financing system is unconstitutional and enjoining defendants from using the current financing system to finance public education in Oregon. The case is similar to a number of other state cases (*Serrano v. Priest*, California Supreme Court 938254, L.A. 29820 (1971); *Robinson v. Cahill*, Docket L-18704-69, Superior Court of New Jersey, Hudson County (1972); etc.), in which state school finance systems have been ruled unconstitutional.

[4] The Committee on Equal Educational Opportunity was appointed by Senate President Jason Boe and former Speaker of the House Richard Eymann, who became cochairmen of the committee. Legislative members originally appointed to the committee in addition to the cochairmen were Senators Atiyeh, Carson, Cook and Fadeley and Representatives Cherry, Hansell, Perry, Rieke and Walden. The public members appointed to the committee were James Anderson (Associated Oregon Industries), William Bade (Portland School District), James Brooks (AFL-CIO), Al Flegel (Association of Oregon Counties), Jerry Fuller (State Department of Education), Steve Kenney (Oregon Education Association), Annabel Kitzhaber (League of Women Voters), John Lobdell (State Revenue Department), Thomas Payzant (Eugene Public Schools) and Robert Whittaker (Oregon School Boards Association). Later in the year, Chuck Clemans from the Portland School District was added to the committee, as were Representatives Marx and Bluemanuer and Senator Ripper.

[5] Following is the schedule of meetings and topics covered by the Committee on Equal Educational Opportunity:
12/15/73, Organization Meeting, Portland, Oregon
2/15/73, Data Requirements of School Finance Study, Portland, Oregon
3/16/74, Impact and Equity of Current School Finance System, Salem, Oregon
4/20/74, Urban School Finance Issues, Portland, Oregon
5/18/74, Financing Compensatory Education, Portland, Oregon
6/14/74, Special Education and Career Education, Salem, Oregon
10/2-4/74, Presentation of Research Staff Recommendations, Otter Rock, Oregon
11/9/74, Initial Committee Recommendations, Salem, Oregon
12/6/74, Final Committee Recommendations to Legislature, Salem, Oregon

[6] On February 26, 1974, the Ford Foundation awarded a grant of $145,000 to the Oregon State Legislature for the Joint Legislative Administration Committee on behalf of the Special Legislative Committee on Equal Educational Opportunity. The grant was made for a thirteen-month period beginning March 1, 1974 to partially support a school finance study and development of a data system regarding school finance. Because the grant was made directly to the Oregon legislature and because under United States law nonprofit foundations cannot support political activity, the Ford Foundation sought an Internal Revenue Service ruling on this grant. In a ruling dated April 19, 1974, the Internal Revenue Service approved foundation support of research activities of state legislatures.

[7] In May the research staff visited six areas of the state to gather information on the effects of the present Basic School Support Fund. School district and IED superintendents from Klamath Falls, Coos Bay-North Bend, Eugene, Baker, Pendleton and Hood River hosted the meetings. These areas were selected to represent the diversity of Oregon school districts. Increasing state school aid and revising and simplifying the state distribution formula were two main concerns of almost everyone. The staff also found support for more state equalization, some school district reorganization, and changes in current limitation on school budgets, collective bargaining law and budget law.

## Chapter 2.

[1] Francis Keppel, *The Necessary Revolution in American Education* (New York: Harper and Row Publishers, 1965), aptly describes these movements.

[2] An excellent summary and analysis of these changes is provided in W. Norton Grubb, "The First Round of Legislative Reforms in the Post-Serrano World," *Law and Contemporary Problems* 38, no. 3, (Winter-Spring 1974): 459-492.

[3] *Rodriguez v. San Antonio Independent School District*, 337 F. Supp. 280.

[4] See, for example, Henry J. Aaron, *A New View of Property Tax Incidence*, (Washington, D.C.: Brookings Institution, 1974), and Robert W. Hartman and Robert D. Reischauer, *The Effects of Reform in School Finance on the Level and Distribution of Tax Burdens*, (Washington, D.C.: Brookings Institution, 1974).

[5] This finding was widely publicized in academic circles by H. Thomas James and his colleagues during the 1960s. See, for example, H.T. James, Walter I. Garms, and James A. Kelly, *Determinants of Educational Expenditures in the Great Cities of the United States*, (Stanford, Calif.: Stanford University School of Education, 1955). The same findings have been demonstrated by W. Norton Grubb and Jack W. Osman, a working

paper prepared for the Childhood and Government Project at the University of California at Berkeley in 1974.

[6] *Robinson v. Cahill* 62 N.J. 473, 303 A2d 2-13 (1973).

[7] John E. Coons, William H. Clune, and Stephen D. Sugarman, *Private Wealth and Public Education* (Cambridge, Mass.: Belknap Press, 1970).

[8] Coons, Clune, and Sugarman have been largely responsible for the adoption of the "district power equalizing" label.

[9] A perceptive description of the evolution of American values and ideology regarding governance can be found in Herbert Kaufman, *Politics and Policies in State and Local Government* (Englewood Cliffs, N.J.: Prentice-Hall, 1963).

[10] Since the 1930s this number has undergone substantial reduction. In 1974 there were only slightly more than 16,000 local school districts. See National Center for Educational Statistics, *A Century of Public School Statistics* (Washington, D.C.: U.S. Office of Education, 1974).

[11] The shift of decision-making power is described in James W. Guthrie and Paula H. Skene, "The Escalation of Pedagogical Politics," *Phi Delta Kappan* (February 1973): 386-389.

[12] "Lighthouse Districts" typically have the advantages of large property tax bases and per pupil expenditures. It is probable that low-wealth districts could also be innovative if they had the necessary resources. A further explanation of this argument and some empirical evidence are provided in Charles S. Benson and James W. Guthrie, *An Essay on Federal Incentives and Local and State Educational Initiative*, (Washington, D.C.: U.S. Office of Education, 1968).

[13] For added discussion of the relationship of resources to decision-making authority, see Norman J. Seward, "Centralized and Decentralized School Budgeting: A Comparative Analysis," (Ph.D. dissertation, University of California at Berkeley), Patricia A. Craig, "Reconciling Political, Professional, and Client Interests in American Public Education," (Ph.D. dissertation, University of California at Berkeley) and Betsy Levin, "Intradistrict Resource Allocations," in *Public School Finance: Present Disparities and Fiscal Alternatives*, vol. I, chapter VI (Washington, D.C.: U.S. President's Committee on School Finance, 1972).

[14] *Baker v. Carr* 179 F. Supp. 824 (1962).

## Chapter 3.

[1] The Oregon Constitution, Article VIII, Section 3 states, "The Legislative Assembly shall provide by law for the establishment of a uniform, and general system of Common Schools."

[2] Education Commission of the States, "A Statistical Profile: Education in the States, 1973-74," *Compact* (July-August, 1974): 14-15.

[3] The states with lower percentages of state support are Connecticut, Massachusetts, Nebraska, New Hampshire, and South Dakota. Education Commission of the States, p. 14.

[4] Throughout this study, district wealth and tax receipts are presented on a per pupil basis. Whenever per pupil figures are used, they are weighted to account both for the higher costs of high school education and for enrollment decline. Specifically, high school students are counted as 1.3 students, and only 25 percent of a decline in student enrollment is subtracted from a district's enrollment in the current year. For example, if a district has 2000 elementary students and 1000 high school students in 1972-73, and 1900 elementary students and 900 high school students in 1973-74, the district's weighted ADM in 1973-74 is 3,242.5.

[5] A detailed description of the Basic School Support Fund is contained in Oregon State Department of Education, *Apportionment of the Basic School Support Fund for the Fiscal Year Ending June 30, 1974* (Salem, Oregon: Oregon State Department of Education, 1974).

[6] Oregon Revised Statutes 327.075, section 8 states "the cost of the basic education program shall be determined for each year of every biennium after first adjusting the factor of $230 by multiplying it by the ratio obtained by dividing (a) the net operating expenditure per weighted resident pupil for all districts having a school census of 1,000 or over which maintain, under a single board for the entire area, education in grades 1 through 12 for the first year of the preceding biennium by (b) a like expenditure for the fiscal year commencing July 1, 1955.

[7] Education Commission of the States, p. 14.

[8] Oregon State Department of Education, pp. 1-7.

[9] The BSSF formula uses the previous year's ADMW to compute a district's total aid. Throughout our analysis we have used current ADMW by adding both growth and the decline adjustments to the previous year's ADMW.

[10] Specific calculations are shown in Oregon State Department of Education, pp. 3-7.

[11] See Oregon Revised Statutes 327.042, section 6.

[12] In 1973-74 local property taxes accounted for approximately $340 million of a total of $663 million raised to support public schools in the state. (Figures supplied by Oregon State Department of Education.)

[13] Oregon Revised Statutes, 280.050.

[14] Figures supplied by Oregon State Department of Education.

[15] The IEDs which raise all of the operating costs of their component school districts are Grant, Harney, Wheeler and Wallowa.

[16] Oregon Revised Statutes, 327.010.

[17] The Basic School Support Fund was approved by the voters of Oregon in 1946. The measure provided:

> A state levy of taxes to produce $50 for each child between 4 and 20
>
> An offset of the proposed tax by income tax revenues
>
> A suspension of two other state supported measures
>
> The Fund to be distributed annually in a manner provided by law to equalize educational opportunities and conserve and improve the standards of public elementary and secondary education throughout the state
>
> The amount to be received by each district to be budgeted as revenue

with no amount to be apportioned as an offset to a school district tax levy.

## Chapter 4.

[1] Stephen D. Surgarman, "Family Choice: The Next Step in the Quest for Equal Educational Opportunity," *Law and Contemporary Problems*, XXXVIII, no. 3, (Winter-Spring, 1974).

[2] John Pincus, ed., *School Finance in Transition* (Cambridge, Mass.: Ballinger Publishing Co., 1974), p. 48.

[3] Pincus, p. 48.

[4] Robert D. Reischauer and Robert W. Hartman, *Reforming School Finance* (Washington, D.C.: The Brookings Institution, 1973), p. 83.

[5] Reischauer and Hartman, p. 67.

[6] Thomas L. Johns, ed., *Public School Finance Programs, 1971-72* (Washington, D.C.: The Brookings Institution, 1973), p. 270.

[7] Reischauer and Hartman, p. 41.

[8] See George Peterson, ed. *Property Tax Reform* (Washington, D.C.: The Urban Institute, 1973) and Reischauer and Hartman, p. 30.

[9] See glossary for discussion of "save-harmless guarantees."

[10] Oregon Revised Statutes, 327.053.

[11] John E. Coons, William H. Clune III, and Stephen D. Sugarman, *Private Wealth and Public Education* (Cambridge, Mass.: The Belknap Press, 1970), pp. 25-33.

[12] See estimates in chapter 5.

[13] *Serrano v. Priest*, 5 Cal. 3d 584, 96 Cal. Rptr. 601, 487 p. 2d. 1241 (1971). See glossary for more details on this case.

[14] See Coons, Clune, and Sugarman, pp. 200-243 for a discussion of the theoretical and administrative bases of district power equalizing.

[15] See glossary for definition of "recapture."

[16] See Reischauer and Hartman, chapter 4.

[17] Whenever per student or per pupil is used in the remainder of this chapter, it refers to a weighted resident pupil or student. A weighted pupil is determined by counting each kindergarten student as .5 students, each student in grades 1–8 as a 1.0 student, and each student in grades 9–12 as 1.3 students.

[18] For a discussion of the equalizing effects of the IED equalization levy see William E. Bade, *Oregon Tax Primer* (Portland, Oregon: Portland Public Schools, 1970), pp. 53-57.

[19] Reischauer and Hartman, p. 83.

[20] A more detailed discussion of the distributional effects of district power equalizing are found in Stephen Michelson, "What is a 'Just' System for Financing Schools? An Evaluation of Alternative Reforms," *Law and Contemporary Problems* 38, No. 3, (Winter-Spring, 1974): 445-452.

[21] Joel S. Berke, *Answers to Inequity* (Berkeley, Calif.: McCutchan Publishing Corp., 1974), p. 105.

[22] Reischauer and Hartman, p. 86.

[23] Reischauer and Hartman, p. 87.

[24] Berke, p. 105.

[25] *Equity For Cities In School Finance Reform* (Washington, D.C.: The Potomac Institute, 1973).

[26] See chapter 5 for a more detailed discussion of the incidence of handicapped children in Oregon school districts.

[27] Berke, p. 78.

[28] One of the most complete studies of municipal overburden was carried out by Harvey Brazier for the Fleischmann Commission in New York. His research is reported in *Report of the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education*, The Commission, 1972.

[29] Reischauer and Hartman, p. 71.

[30] Reischauer and Hartman, p. 71.

## Chapter 5.

[1] For a review of court cases see *Law and Contemporary Problems* 38, no. 3 (Winter-Spring 1974).

[2] *Equity For Cities in School Finance Reform* (Washington, D.C.: The Potomac Institute, 1973).

[3] See Joel S. Berke, *Answers to Inequity* (Berkeley, Calif.: McCutchan Publishing Corp., 1974), pp. 7-36.

[4] Erik L. Lindman, *Financing Vocational Education in the Public Schools*, Special Report no. 4 (Gainesville, Florida: National Education Finance Project, 1970).

[5] See Betsy Levin, *et al.*, *The High Cost of Education in the Cities* (Washington, D.C.: Urban Institute, 1973).

[6] For an overview see James S. Kakalik, *et al.*, *Services for Handicapped Youth: A Program Overview* (Santa Monica, Calif.: The Rand Corporation, 1973).

[7] House bill 2444, Oregon legislature, 1973.

[8] Oregon Laws 1973, Chapter 728, p. 1748.

[9] An opinion issued by the Attorney General of the State of Oregon dated March 19, 1974, p. 3.

[10] Attorney General's opinion, March 19, 1974, p. 5.

[11] In 1974 Congress passed HR69 authorizing over $650 million for the education of handicapped youth. No funds, however, were appropriated.

[12] This law provides funds for children with the following disabilities: speech, learning, deaf and hard of hearing, blind and partially sighted, emotionally handicapped, pregnant teenage girls, language disorders, and the physically and chronically ill.

[13] The data on the Handicapped Children's Law, the Mentally Retarded Children's Law, the Emotionally Handicapped Children's Law and on the regional and special programs were taken from a letter to the Committee on Equal Educational Opportunity from the Director of Special Education, Oregon State Department of Education, dated May 31, 1974.

[14] Data obtained from a letter to the Committee on Equal Educational Opportunity from the Oregon State Mental Health Division, dated October 18, 1974. Eight hundred thousand dollars in state funds, an additional $298 thousand in federal funds, and $1.3 million in local funds were spent on these programs.

[15] *Special Education Programs—Handicapped Children Program and EMR Program 1972-73 School Year* (Salem, Oregon: Oregon State Department of Education, undated). The total estimated number of handicapped children, according to this report, was 56,962. This figure, divided by the Department's estimate of school age population (497,000) yields an estimated incidence rate of 11.39 percent.

[16] This estimate of the total school age population was taken from a letter to the Committee on Equal Educational Opportunity from the Special Education Division, Oregon State Department of Education, dated August 9, 1974.

[17] The authors wish to acknowledge the contribution of Charles Berstein, a consultant under contract to Management Analysis Center, for the development of parts of this section of the report. An elaboration of the views in this section will be forthcoming in a report by Management Analysis Center to the United States Office of Education, Bureau of the Handicapped (February 1975).

[18] Based on information contained in the Handicapped Children's Education Project's notebook prepared by the Education Commission of the States for its regional conference, "Financing Programs for Handicapped Children," held in late 1973.

[19] Maynard C. Reynolds, "A Framework for Considering Some Issues in Special Education," *Exceptional Children* XXVIII (March 1962): 367-70. Graeme M. Taylor, "The Special Costs of Special Education," a report on the 1973 Airlie House Conference sponsored by the Council for Exceptional Children (mimeographed) pp. 1-7. Richard A. Rossmiller, "Coming to Grips with Costs and Expenditures" in *Financing Programs for Handicapped Children*. Report no. 50 (Denver, Colorado: Education Commission of the States, 1973). Philip R. Jones and William R. Wilkerson, *Options for Financing Special Education* (Bloomington, Indiana: Department of School Administration, Indiana University, 1973). Oregon Task Force on Special Education, *Administrative Rules for Oregon Education for Special Education Programs or Special Services for Handicapped Children* (Salem, Oregon: Oregon legislature, 1973).

[20] Kakalik, *et al.*

[21] This 12.5 percent savings is based on the findings of the previously cited meeting sponsored by the Council for Exceptional Children. That study found that the average per pupil cost for special education is 2.4 times the average per pupil cost of regular education, if "best practice" is assumed. However, this ratio becomes 2.1 (12.5 percent less) if optimal practice is assumed. This study utilized the nine program alternatives presented earlier in this paper.

[22] See Nona Dearth, "Educators Fear Law May Jolt Taxpayer," *Patriot Ledger* (August 3, 1974).

[23] See Stephen K. Bailey and Edith Mosher, *ESEA: The Office of Education Administers A Law* (Syracuse, N.Y.: Syracuse University Press, 1968).

[24] Michael J. Wargo, *et al., ESEA Title I: A Reanalysis and Synthesis of Evaluation Data from Fiscal Year 1965 through 1970* (Palo Alto: American Institutes for Research, 1972).

[25] See the annual reports of the National Advisory Council on the Education of Disadvantaged Children.

[26] See Joel S. Berke and Michael W. Kirst, *Federal Aid to Education* (Lexington, Mass.: D.C. Heath & Co., 1972).

[27] See U.S. Office of Education, *Title I, Year II* (Washington, D.C.: Government Printing Office, 1967).

[28] Kenneth B. Clark, *Dark Ghetto: Dilemmas of Social Power* (New York: Harper and Row, 1967).

[29] *Report of the National Advisory Commission on Civil Disorders* (New York: New York Times, 1967).

[30] Walter I. Garms and Robert J. Goettel, "Measuring Educational Need: Developing A Model for Predicting Achievement Levels from A Composite of Socio-Economic Characteristics," in Joel S. Berke, Allan K. Campbell and Robert J. Goettel, *Financing Equal Educational Opportunity* (Berkeley, California, McCutchen Publishing Corp., 1972).

[31] See Henry M. Levin, "Equal Educational Opportunity and the Distribution of Educational Expenditures," *Education and Urban Society*, (February 1973).

[32] Betsy Levin, *et al., The High Cost of Education in the Cities.*

[33] See annual reports of the National Advisory Council on Education of Disadvantaged Children.

[34] Wargo, *et al.*

[35] A recent article—Ralph W. Tyler, "The Federal Role in Education," *The Public Interest*, no. 34 (Winter 1973): 164-187—offers an explanation of why early results may have been so disappointing. At the time, most Title I programs used norm-referenced tests to measure student achievement. Such tests are constructed to achieve a spread of student scores. In order to do this, it is necessary to discard questions which most students can answer, so over time, those questions which are easily answered are eliminated. Thus, perhaps, as Title I students came to know the answers, the tests were frequently changed. With such "bath-water" changes, argues Tyler, the "baby" of student success may also have been thrown out.

[36] Stanford Research Institute, "Preliminary Report to the Office of the Assistant Secretary of Education," unpublished (May 1974).

[37] Chapter 6 on increasing educational productivity explains this measure of school performance in greater detail.

[38] For example, both the Fleischmann Commission Report in New York and the Consultants' Report to the California State Senate advocated use of test scores as a criterion for finance formula allocation.

[39] W. Norton Grubb, *New Programs of State School Aid* (Washington: National Legislative Conference, 1974).

[40] This type of test is explained more fully in chapter 6.

[41] These views were presented in hearings on HR 69 before the U.S. House of Representatives, Education and Labor Committee, 1973-74.

[42] For an analysis of the impact of these alternative measures see Joel S. Berke *et al., Financing Equal Educational Opportunity* (Berkeley, Calif.: McCutchan Publishing Corp., 1972).

[43] See Alan Thomas, *The Productive School* (New York: John Wiley, 1971).

[44] See Larry McClure and Carolyn Buan, eds. *Essays on Career Education* (Washington, D.C.: Government Printing Office, 1973).

[45] Roman Pucinski and Sharlene Hirsch, *The Courage to Change: New Directions for Career Education* (Englewood Cliffs, N.J.: Prentice-Hall, 1971).

[46] See *School Review* 82 (November 1973): 57-106 for several articles for and against career education.

[47] The authors are indebted to Eliot Eisner and Decker Walker of Stanford University for the use of a draft manuscript based on this NIE conference.

[48] See National Education Finance Project, *Future Directions for School Financing* (Gainsville, Florida: National Education Finance Project, 1971).

[49] For a discussion of the overall manpower system see the special HEW report, *Work in America* (Cambridge, Mass.: MIT Press, 1972).

[50] For a detailed analysis, see W. Monford Barr, *et. al.*, *Financing Public Elementary and Secondary School Facilities in the United States.* Special Study no. 7 (Gainesville Florida: National Education Finance Project, 1970).

[51] See Philip Piele and John Hall, *Budgets, Bonds and Ballots* (Lexington, Mass.: D.C. Heath & Co., 1973).

[52] See R. L. Johns *et al.*, *Planning to Finance Education* (Gainesville, Florida: National Education Finance Project, 1971), chapter 7.

[53] National Education Finance Project, unpublished.

[54] For a study of Maryland's experience with full state assumption see Maryland General Assembly, *Full State Funding of School Construction: An Appraisal After Two Years* (Annapolis, Md.: Maryland General Assembly, 1973).

[55] For a sample of this approach, see the staff report by Walter I. Garms and Michael W. Kirst, in *Improving Education in Florida* (Tallahassee, Florida: Office of the Governer, 1973). A study of New York's experience can be found in the *Fleischmann Report*, Vol. II (New York: Viking, 1972).

[56] Business Task Force on Education, *Public School Survey Recommendations* (Portland, Oregon: Business Task Force on Education, 1969), pp. 58-67.

## Chapter 6.

[1] Phyllis Hawthorne, *Legislation by the States: Accountability and Assessment in Education.* Cooperative Accountability Project Report no. 2 (Madison, Wis.: Wisconsin Department of Public Instruction, 1974), p. 1.

[2] The appeal of the accountability concept for various educational constituencies has been insightfully analyzed in Henry M. Levin, "A Conceptual Framework for Accountability." Occasional Paper 72-10 (Stanford, Calif.: School of Education, Stanford University, 1973).

[3] In fact, as a University of Chicago study amply demonstrated, there is also substantial geographic variation in publicly held expectations for schools. See Lawrence W. Downey, *The Task of Public Education* (Chicago: Midwest Administration Center, University of Chicago, 1960).

[4] The technical details of the measurement problems contained in norm-referenced testing are described by Barbara Heyns in "Education, Evaluation, and the Metrics of Learning," a paper prepared for the American Sociological Association meetings held in Montreal in 1974.

[5] Robert W. Heath and Mark A. Nielson, "The Research Basis For Performance-Based Teacher Education," *Review of Educational Research*, 44, no. 4 (Fall 1974): 463-484.

[6] James S. Coleman, *et. al.*, *Equal Educational Opportunity* (Washington, D.C.: U.S. Government Printing Office, 1966), chapter 1.

[7] In a recent survey of teacher attitudes, 79 percent of those queried reported that, at least in theory, they were in agreement with the idea of accountability. The study is summarized in Thomas L. Good, *et al.*, *Phi Delta Kappan* LVI, no. 5 (January 1975): 367-368

[8] Educational Research Service, "Releasing Standardized Achievement Test Scores," *Education USA* 17, no. 18 (December 1974): 102.

[9] For added information on the association between school district size and voter participation in bond and tax elections, see the forthcoming paper by W. Norton Grubb and Jack W. Osman, "The Causes of School Finance Inequalities: *Serrano* and the Case of California." A working paper of the Childhood and Government Project (Berkeley, Calif.: University of California, 1974).

[10] These ideas are not the author's alone. They were developed in part by senior staff members of the New York State Education Commission, most notably Charles S. Benson, Will Riggan, Roger Hooker and Carl Jaffee. These ideas have also received widespread attention by the Florida state legislature and frequently are referred to as the "Florida Plan".

[11] The interaction of increased population and vastly reduced numbers of school districts has substantially diluted the representative nature of school boards nationally. For example, each U.S. school board member now represents a constituency of approximately 3,000 citizens. The equivalent figure 50 years ago was 200 citizens. This phenomenon is explained in greater detail in "Public Control of Public Schools: Can We Get It Back," James W. Guthrie, *Public Affairs Report* 15, no. 3 (June 1974).

[12] Such as is widely used throughout the midwest for generating school board candidates.

[13] For example, in a 1971 study of a large metropolitan school district, Kittredge demonstrated that school sites at which the principal made personnel decisions experienced noticeably less staff turnover, absenteeism, requests for transfer and filing of formal grievances. Michael H. Kittredge, "Teacher Placement Procedures and Organizational Effectiveness," (Ph.D. dissertation, University of California at Berkeley, 1972).

[14] For a full explanation of the many forces acting to standardize our nation's school curriculum see Roald F. Campbell and Robert A. Bunnell, eds., *Nationalizing Influences on Secondary Education* (Chicago: University of Chicago, 1963).

[15] These are tests which are directed at measuring the degree to which a student understands a specified body of subject matter. They are not constructed for the prime purpose of predicting future performance as is the case with the "norm-referenced" tests conventionally used to measure student performance.

[16] *The Fleischmann Report on the Quality, Cost, and Financing of Elementary and Secondary Education in New*

*York State* vol. III (New York: The Viking Press, 1973), pp. 58-59.

[17] For example, school-by-school accounting would permit us to escape from the kind of research flaws the Coleman Report exhibited on this dimension. In its assessment of school effects, the Coleman team used district-wide average per pupil expenditure figures. This is almost always a misleading number: for example, high schools generally spend half again more per pupil than elementary schools.

[18] Daniel Weiler, *A Public School Voucher Demonstration: The First Year at Alum Rock*, (Santa Monica, Calif.: The Rand Corporation, 1974).

[19] An interesting description of the Minneapolis family choice experiment is contained in the winter 1975 issue of *Information*, the quarterly newsletter of the National Institute of Education.

[20] Derived from USOE: Source: *Statistics of Public Elementary and Secondary Day Schools*, DHEW Publication no. (OE) 73-11402 (Fall 1972).

[21] As with our earlier school reform proposals, ideas in this section have benefited from the authors' experiences with the Fleischmann Commission and school reform efforts in other states.

[22] Educational requirements for certification as a teacher are, at most, one year of graduate training, compared with three or more years for law, medicine, and other professions. Also, mean GRE aptitude test scores for Education majors consistently are lower than for other fields such as the social, physical and natural sciences.

[23] For added information on this topic see James W. Guthrie, Douglas H. Penfield, and David N. Evans, "Geographic Distribution of Teaching Talent," *American Education Research Journal*, 6, no. 4, (November 1969): 645-659.

[24] Howard S. Becker, "The Career of the Chicago Public School Teacher," *American Journal of Sociology* (1952): 470-477.

[25] The teacher supply and demand situation is more complicated than it appears at first glance. There is substantial discussion in educational circles and in the public media regarding the "teacher surplus" of the mid-1970s. However, it is not altogether clear that this is a permanent condition. The NEA argues that if class sizes were what they ought to be, the "excess" supply of teachers would be absorbed rapidly. A recent Rand Corporation study argues that the problem is more complicated. The Rand report demonstrates that there is a substantial lag time in matching teacher supply and demand. The production of teachers from the time of their recruitment into training programs until their availability for employment is anywhere from two to six years. Potential recruits do respond to their perception of the market for teacher services. Presently, potential teacher trainees are beginning to choose other occupational fields, so the supply of trained teachers will soon be sharply reduced. If the U.S. population continues its downward path, there may be no future supply problem. However, if our population again heads upward, we are likely to need more teachers than are in the production pipeline. Because of the previously mentioned lag time in matching supply with demand, we may even experience a teacher shortage. See Stephen J. Carrol and Kenneth Ryder, Jr., *Analysis of the Educational Personnel System: V. The Supply of Elementary and Secondary Teachers* (Santa Monica, Calif.: The Rand Corporation, 1974).

[26] Such intermediate units exist in most states already and are authorized to offer teacher training services. For example, New York has Boards of operative Educational Services (BOCES) and California has County Offices of Education. Oregon has Intermediate Education Districts (IED).

[27] The authors are heavily indebted to Mr. John Danner for his assistance in preparing this section.

## Chapter 7.

[1] This assessment was made by Richard Munn, former Director of Research, Oregon State Department of Revenue, in a letter to the research staff dated May 30, 1974.

[2] The enrollment projections were done under subcontract by Guilbert C. Hentschke of the University of Rochester and Richard Videbeck of the University of Illinois, Chicago Circle.

## Chapter 8.

[1] Joel S. Berke, *Answers to Inequity* (Berkeley, California: McCutchan Publishing Corp., 1974), p. 9.

[2] Projections of Portland's true cash value for the next five years are contained in the data supplement to this volume. Portland's TCV is expected to increase from $67,790 per weighted ADM in 1973-74 to $114,615 per weighted ADM in 1978-79.

[3] Richard Lucier, "The Oregon Tax Substitution Referendum: The Prediction of Voting Behavior," *National Tax Journal* 24, no. 1 (March 1971): 87-90.

[4] This summary is taken from the introduction to the Plaintiffs' Reply brief in *Olsen v. Oregon*, Case No. 72 0569, pp. 2-43.

[5] *San Antonio v. Rodriguez*, majority opinion dated March 21, 1973. Quoted in Berke, p. 211.

[6] Betsy Levin, "Reform Through The State Courts," *Law and Contemporary Problems* 38, no. 3, (Winter-Spring 1974): 311.

[7] Lawrence C. Pierce, "The Politics of School Finance Reform in Oregon," in *Rethinking Educational Finance*, ed. James A. Kelly (San Francisco, Calif.: Jossey-Bass Inc., Publishers, 1973), p. 117.

[8] Jim Sellers, "Oregon School Finance Ruled Legal," *Eugene Register-Guard*, February 25, 1975, p. 1.

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**Production:** Industrial Litho, Eugene
Vanda L. Baughman, Mary Bodine, J. Paul Dusseault, Jan Maddron, Murna Marshall
**Proofreaders:** Patricia Brannan, Mary Lauris
**Publisher:** Center for Educational Policy and Management, University of Oregon, Eugene
Max Abbott, Phil Piele, Jeff Grass (editor)